

June 3, 2008

Textron, Inc.
40 Westminster Street
Providence, RI 02903-2596

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Textron. On February 28, 2006 and November 16, 2006, we sent Textron information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Textron, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Failure to Test Equipment

Date: 05/12/1995 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: Civil

Amount: \$100,000

Disposition: Settlement

Synopsis: “Textron Inc. will pay the United States \$100,000 to settle allegations it failed to properly test locknuts it manufactured for military aircraft... Textron said its Cherry Division facility in Santa Ana, California, failed to properly perform stress embrittlement tests on certain flyweight nuts and that only samples of 12-point nuts were inspected by dye penetrant and/or magnetic particle methods although the contract required that all nuts be inspected by those methods. In some instances, inspection documents were fabricated to avoid detection.”

2. Interstate Southwest Ltd. v. Lycoming Engines (Fraud)

Date: 02/17/2005 (Date of Judgment)

Misconduct Type: Non-governmental Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$96,000,000

Disposition: Judgment Against Defendant

Synopsis: “A jury found [Textron subsidiary] Lycoming Engines liable for fraud and ordered it to pay about \$96 million to Interstate Southwest Ltd. in a case that revolved around small airplane engine failures that occurred when the planes’ crankshafts broke in flight... Lycoming claimed that Interstate Southwest had overheated the forgings, weakening the steel.”

3. Manier v. Textron Inc. (Inflating Labor Costs)

Date: 11/25/1998 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$9,800,000

Disposition: Settlement

Synopsis: Textron Aerostructures, a former subsidiary of Textron Inc., agreed to pay \$9.8 million dollars to the United States to settle allegations that it defrauded the government by inflating labor costs on a contract to construct wings for the Air Force's B-1B Bomber. The federal qui tam suit was filed under the False Claims Act.

4. Violation of Federal Aviation Administration Hazardous Materials Regulations

Date: 01/01/1998 (Date of Report)

Misconduct Type: Environment

Enforcement Agency: Transportation

Contracting Party: None

Court Type: Administrative

Amount: \$35,000

Disposition: Fine

Synopsis: According to a U.S. Department of Transportation document, in 1998, Bell Helicopter Textron "offered hazardous materials improperly classed, described, packaged, marked, labeled, or in a condition unsuitable for shipment," in violation of Federal Aviation Administration rules.

5. Violation of Petroleum Product Storage Regulations

Date: 04/07/2004 (Date of Preliminary Notice of Violation)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$8,440

Disposition: Fine

Synopsis: According to a document from the State of Rhode Island Department of Environmental Management, on April 7, 2004, Textron was "in violation of RIDEM's Rules and Regulations for Underground Storage Facilities Used for Petroleum Products and Hazardous Materials ("the UST Regulations") and the Rules and Regulations for Hazardous Waste Management ("the Hazardous Waste Regulations")... The Respondent was ordered in the NOV to achieve compliance with the UST and Hazardous Waste Regulations within 30 days of receipt of the NOV. A penalty in the amount of \$10,736.00 was assessed in the NOV." The following September, the state and Textron executed a Consent Agreement to resolve the enforcement action. Since Textron was found to have already achieved compliance with the order portion of the NOV, the penalty was reduced to \$8,440.

6. Unauthorized Chemical Treatment Activity

Date: 03/08/1999 (Date of Consent Decree)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$1,001

Disposition: Administrative Agreement

Synopsis: On March 1, 1999, the California Environmental Protection Agency and the Textron Aerospace Fastener Division of Textron, Inc. entered into a consent order concerning Textron's alleged unauthorized chemical treatment activity. Under the consent decree, Textron paid an administrative fee of \$1001.

7. Defective Crankshaft Design

Date: 11/01/2007 (Date of Appellate Opinion)

Misconduct Type: Non-governmental Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$0

Disposition: Judgment Against Defendant

Synopsis: Interstate Southwest Ltd. sued Textron Inc.'s Lycoming engines division alleging Lycoming was responsible for several incidents between 1999 and 2001 involving small aircraft equipped with Lycoming engines that failed when the planes' crankshafts broke in flight. Interstate Southwest supplied Lycoming with crankshaft forgings but claimed Lycoming's crankshaft design was defective and that Lycoming fraudulently concealed information about the failures. In 2005, a Grimes County, Texas jury found Lycoming liable for fraud and ordered it to pay Interstate \$96 million in damages. In November 2007, a Texas appeals court partly affirmed and partly reversed the trial court verdict. It agreed that the crankshaft failures were caused solely by a defect in Lycoming's design and nullified Lycoming's counterclaim, but the court also set aside the damages award.

8. Massachusetts Military Reservation Cleanup

Date: 10/01/2007 (Date of Settlement)

Misconduct Type: Environment

Enforcement Agency: Multiple Agencies

Contracting Party: Defense - Army

Court Type: Civil

Amount: \$7,700,000

Disposition: Settlement

Synopsis: The federal and Massachusetts governments reached a \$7.7 million settlement with Textron Systems Corp. to clean up the area around the Massachusetts Military Reservation (MMR) on Cape Cod. For three decades, Textron used portions of the MMR to test munitions, which is believed to have tainted the soil with perchlorate and other substances and contaminated the groundwater. Textron will pay \$1.3 million to the state and federal natural resource trustees, \$5.6 million to the Army, and \$800,000 to the Environmental Protection Agency. Textron will also remove contaminated soil, structures and debris from the area.

9. Oil For Food Program Kickbacks - Criminal Investigation

Date: 08/23/2007 (Date of Announcement)

Misconduct Type: Ethics

Enforcement Agency: Justice

Contracting Party: International

Court Type: Criminal

Amount: \$1,150,000

Disposition: Non-Prosecution Agreement

Synopsis: Textron settled charges that employees of its French subsidiaries paid kickbacks to Saddam Hussein's government during the United Nations' Oil-For-Food program. The employees were alleged to have paid roughly \$600,000 in kickbacks by inflating the price of contracts to provide industrial pumps, gears, and other equipment by 10 percent before submitting them for U.N. approval and concealing from the U.N. the fact that the price contained the cost of the illicit payments. In exchange for not filing criminal charges, the Department of Justice will require Textron to cooperate with investigators and pay a \$1.15 million fine. The Oil-For-Food program, which ran from 1996 to 2003, was established to help Iraqis cope with U.N. sanctions imposed

after Hussein's invasion of Kuwait in 1990. Under the program, money from Iraqi oil sales was to have been used for humanitarian goods such as food and medicine. However, there were accusations of widespread corruption and abuse, with hundreds of foreign companies alleged to have colluded with Hussein's regime to bilk the program of billions of dollars. See related Textron misconduct instance, "Oil For Food Program Kickbacks - SEC Investigation."

10. Oil For Food Program Kickbacks - SEC Investigation

Date: 08/23/2007 (Date of Announcement)

Misconduct Type: Ethics

Enforcement Agency: SEC

Contracting Party: International

Court Type: Civil

Amount: \$3,535,041

Disposition: Settlement

Synopsis: Textron settled charges that employees of its French subsidiaries paid kickbacks to Saddam Hussein's government during the United Nations' Oil-For-Food program. The employees were alleged to have paid roughly \$600,000 in kickbacks by inflating the price of contracts to provide industrial pumps, gears, and other equipment by 10 percent before submitting them for U.N. approval and concealing from the U.N. the fact that the price contained the cost of the illicit payments. In settling the Securities and Exchange Commission civil injunctive action, Textron was ordered to disgorge \$2,284,579 in profits plus \$450,461.68 in pre-judgment interest, and to pay a civil penalty of \$800,000. The Oil-For-Food program, which ran from 1996 to 2003, was established to help Iraqis cope with U.N. sanctions imposed after Hussein's invasion of Kuwait in 1990. Under the program, money from Iraqi oil sales was to have been used for humanitarian goods such as food and medicine. However, there were accusations of widespread corruption and abuse, with hundreds of foreign companies alleged to have colluded with Hussein's regime to bilk the program of billions of dollars. See related Textron misconduct instance, "Oil For Food Program Kickbacks - Criminal Investigation."