

CURTISS WRIGHT CORP

FORM 10-Q (Quarterly Report)

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Industry	Aerospace & Defense
Sector	Capital Goods
Fiscal Year	12/31

SECURITIES and EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-0612970
(I.R.S. Employer
Identification No.)

1200 Wall Street West
Lyndhurst, New Jersey
(Address of principal executive offices)

07071
(Zip Code)

(201) 896-8400
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$1.00 per share: 10,203,724 shares (as of July 31, 1998)

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

**CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(In thousands)

	June 30, 1998	December 31, 1997
Assets:		
Cash and cash equivalents	\$ 9,495	\$ 6,872
Short-term investments	64,608	61,883
Receivables, net	44,433	41,590
Deferred tax asset	8,191	8,806
Inventories	51,232	49,723
Other current assets	2,241	2,506
	-----	-----
Total current assets	180,200	171,380
	-----	-----
Property, plant and equipment, at cost	226,736	219,587
Less, accumulated depreciation	157,682	153,704
	-----	-----
Property, plant and equipment, net	69,054	65,883
Prepaid pension costs	40,621	38,674
Other assets	9,684	8,771
	-----	-----
Total assets	\$299,559	\$284,708
	=====	=====
Liabilities:		
Accounts payable and accrued expenses	\$ 25,139	\$ 24,540
Dividends payable	1,323	
Income taxes payable	4,916	4,845
Other current liabilities	9,187	9,244
	-----	-----
Total current liabilities	40,565	38,629
	-----	-----
Long-term debt	10,347	10,347
Deferred income taxes	9,405	8,799
Other liabilities	22,136	22,080
	-----	-----
Total liabilities	82,453	79,855
	-----	-----
Stockholders' equity:		
Common stock, \$1 par value	15,000	15,000
Capital surplus	51,241	52,010
Retained earnings	330,133	318,474
Unearned portion of restricted stock	(198)	(342)
Accumulated other comprehensive income	(3,377)	(3,289)
	-----	-----
Total stockholders' equity	392,799	381,853
	-----	-----
Less, cost of treasury stock	175,693	177,000
	-----	-----
Total stockholders' equity	217,106	204,853
	-----	-----
Total liabilities and stockholders' equity	\$299,559	\$284,708
	=====	=====

See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of EARNINGS
(UNAUDITED)

(In thousands except per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1998	1997	1998	1997
Net sales	\$120,251	\$107,560	\$59,405	\$54,412
Cost of sales	80,380	71,791	37,656	35,287
	39,871	35,769	21,749	19,125
Gross margin				
Research and development costs	591	946	286	348
Selling expenses	4,856	3,936	2,551	2,001
General and administrative	14,714	15,627	7,846	7,746
	19,710	15,260	11,066	9,030
Operating income				
Investment income, net	1,581	1,848	502	1,210
Rental income, net	1,763	1,741	850	801
Other income (expense), net	79	(251)	(20)	(144)
Interest expense	185	189	96	116
	22,948	18,409	12,302	10,781
Earnings before taxes				
Provision for taxes	8,642	6,404	4,601	3,731
	\$ 14,306	\$ 12,005	\$ 7,701	\$ 7,050
Net earnings	=====	=====	=====	=====
Weighted average number of common shares outstanding	10,187	10,170	10,187	10,170
	=====	=====	=====	=====
Basic earnings per common share	\$1.40	\$1.18	\$0.76	\$0.69
	=====	=====	=====	=====
Diluted earnings per common share	\$1.38	\$1.17	\$0.75	\$0.69
	=====	=====	=====	=====
Dividends per common share	\$0.130	\$0.125	\$0.130	\$0.125
	=====	=====	=====	=====

See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended	
	June 30,	1997
	1998	1997
Cash flows from operating activities:		
Net earnings	\$14,306	\$12,005
	-----	-----
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,881	4,948
Net gains on short-term investments	(170)	(1,070)
Increase in deferred taxes	1,221	14
Changes in operating assets and liabilities:		
Proceeds from sales of trading securities	197,151	135,263
Purchases of trading securities	(197,895)	(136,621)
Increase in receivables	(2,218)	(4,636)
(Increase) decrease in inventory	86	(1,603)
Decrease in progress payments	(2,220)	(1,684)
Increase (decrease) in accounts payable and accrued expenses	599	(253)
Increase in income taxes payable	71	2,672
Increase in other assets	(3,027)	(1,252)
Decrease in other liabilities	(1,812)	(873)
Other, net	1,381	(1,411)
	-----	-----
Total adjustments	(1,952)	(6,506)
	-----	-----
Net cash provided by operating activities	12,354	5,499
	-----	-----
Cash flows from investing activities:		
Proceeds from sales of real estate and equipment	280	18
Additions to property, plant and equipment	(2,581)	(5,911)
Acquisition of Alpha Heat Treaters business	(6,106)	
	-----	-----
Net cash used by investing activities	(8,407)	(5,893)
	-----	-----
Cash flows from financing activities:		
Dividends paid	(1,324)	(1,271)
	-----	-----
Net cash used by financing activities	(1,324)	(1,271)
	-----	-----
Net increase (decrease) in cash and cash equivalents	2,623	(1,665)
Cash and cash equivalents at beginning of period	6,872	6,317
	-----	-----
Cash and cash equivalents at end of period	\$ 9,495	\$ 4,652
	=====	=====

See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of STOCKHOLDERS' EQUITY
(UNAUDITED)

(In thousands)

	Common Stock	Capital Surplus	Retained Earnings	Unearned Portion of Restricted Stock Awards	Accumulated Other Comprehensive Income	Treasury Stock
December 31, 1996	\$10,000	\$57,127	\$299,740	\$(608)	\$(1,506)	\$181,390
Net earnings			27,885			
Common dividends			(5,137)			
Stock dividend (two for one split)	5,000	(5,000)	(4,014)			(4,014)
Stock options exercised, net		(117)				(376)
Amortization of earnings portion of restricted stock				266		
Translation adjustments, net					(1,783)	
December 31, 1997	----- 15,000	----- 52,010	----- 318,474	----- (342)	----- (3,289)	----- 177,000
Net earnings			14,306			
Common dividends			(2,647)			
Stock options exercised, net		(769)				(1,307)
Amortization of earned portion of restricted stock				144		
Translation adjustment, net					(88)	
June 30, 1997	----- \$15,000 =====	----- \$51,241 =====	----- \$330,133 =====	----- \$(198) =====	----- \$(3,377) =====	----- \$175,693 =====

See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

NOTES to CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS of PRESENTATION

Curtiss-Wright Corporation (the "Corporation") is a diversified multi-national manufacturing and service concern that designs, manufactures and overhauls precision components and systems and provides highly engineered services to the aerospace, automotive, shipbuilding, oil, petrochemical, agricultural equipment, power generation, metal working and fire & rescue industries. The Corporation's principal operations include four domestic manufacturing facilities, thirty-five metal treatment service facilities located in North America and Europe, and five component overhaul locations.

The information furnished in this report has been prepared in conformity with generally accepted accounting principles and as such reflects all adjustments, consisting primarily of normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's 1997 Annual Report on Form 10-K. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year. Certain reclassifications of prior year amounts have been made in order to conform to the current presentation.

2. ACQUISITIONS

On April 30, 1998, the Corporation purchased the Alpha Heat Treaters ("Alpha") division of Alpha-Beta Industries, Inc. Alpha services a broad spectrum of customers from its York, Pennsylvania location and provides a number of metal treating processes including carburizing, surface hardening, stress relieving, induction hardening and black oxide surface treatment services. The Corporation acquired the net assets of Alpha for approximately \$6.1 million in cash and has accounted for the acquisition as a purchase. The excess of purchase price over the fair value of the net assets is approximately \$1.0 million and is expected to be amortized over 25 years. The fair value of the net assets acquired was based on preliminary estimates and may be revised at a later date.

Subsequent Event

On July 31, 1998, the Corporation purchased the assets of Enertech, LLC (Enertech) which distributes, represents and manufactures a number of products for sale into commercial nuclear power plants, both domestically and internationally. Enertech also provides a broad range of overhaul and maintenance services for such plants from its two principal locations in Brea, California and Suwanne, Georgia. Enertech has annual sales of about \$25.0 million. The Corporation acquired the net assets of Enertech for approximately

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS, Continued
(UNAUDITED)

\$15.0 million in cash and will account for the acquisition as a purchase in the third quarter of 1998. The excess of the purchase price over the fair value of the net assets acquired will be recorded as goodwill.

3. RECEIVABLES

Receivables, at June 30, 1998 and December 31, 1997, include amounts billed to customers and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed at the dates presented. Substantially all amounts of unbilled receivables are expected to be billed and collected within a year. The composition of receivables for those periods is as follows:

	(In thousands)	
	June 30, 1998	December 31, 1997
Accounts receivable, billed	\$50,881	\$49,110
Less: progress payments applied	10,614	10,460
	-----	-----
	40,267	38,650
	-----	-----
Unbilled charges on long-term contracts	13,367	13,022
Less: progress payments applied	7,556	8,335
	-----	-----
	5,811	4,687
	-----	-----
Allowance for doubtful accounts	(1,645)	(1,747)
	-----	-----
Receivables, net	\$44,433	\$41,590
	=====	=====

4. INVENTORIES

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories at June 30, 1998 and December 31, 1997 is as follows:

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS, Continued
(UNAUDITED)

	(In thousands)	
	June 30, 1998	December 31, 1997
Raw materials	\$ 6,829	\$ 5,514
Work-in-process	20,891	22,686
Finished goods	22,550	21,782
Inventoried costs related to U.S. Government and other long-term contracts	5,173	5,547
	-----	-----
Total inventories	55,443	55,529
Less: progress payments applied, principally related to long-term contracts	4,211	5,806
	-----	-----
Net inventories	\$51,232	\$49,723
	=====	=====

5. ENVIRONMENTAL MATTERS

The Corporation establishes a reserve for a potential environmental responsibility when it concludes that a determination of legal liability is probable. Such amounts, if quantified, reflect the Corporation's estimate of the amount of that liability. If only a range of potential liability can be estimated, a reserve will be established at the low end of that range. Such reserves represent today's values of anticipated remediation not reduced by any potential recovery from insurance carriers or through contested third-party legal actions, and are not discounted for the time value of money.

The Corporation is joined with many other corporations and municipalities as potentially responsible parties (PRPs) in a number of environmental cleanup sites, which include the Sharkey Landfill Superfund Site, Parsippany, N. J., Caldwell Trucking Company Superfund Site, Fairfield, N. J., and Pfohl Brothers Landfill Site, Cheektowaga, N. Y., identified to date as the most significant sites. Other environmental sites in which the Corporation is involved include but are not limited to Chemsol, Inc. Superfund Site, Piscataway, N. J., and PJP Landfill, Jersey City, N. J.

The Corporation believes that the outcome of any of these matters would not have a material adverse effect on the Corporation's results of operations or financial condition.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS, Continued
(UNAUDITED)

6. COMPREHENSIVE INCOME

Effective January 1, 1998, the Corporation adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 establishes standards for reporting and displaying changes in equity from non-owner sources. Total comprehensive income for the six months ended June 30, 1998 and 1997 is as follows:

(In thousands)

	June 30, 1998	June 30, 1997
Net earnings	\$14,306	\$12,005
	-----	-----
Equity adjustments from foreign currency translations	(88)	(1,983)
Proforma tax effects	(31)	(694)
	-----	-----
Net adjustments	(57)	(1,289)
	-----	-----
Total comprehensive income	\$14,249	\$10,716
	=====	=====

7. EARNINGS PER SHARE

The Corporation accounts for its earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). Diluted earnings per share were computed based on the weighted average number of shares outstanding plus all potentially dilutive common shares issuable for the periods. Dilutive common shares for the second quarters of 1998 and 1997 were 14 and 50, respectively, and were 148 and 121 for the six months ended June 30, 1998 and 1997, respectively, consisting primarily of outstanding stock options. Prior year earnings per share information has been restated to reflect a 2 for 1 stock split paid December 23, 1997.

8. RECENTLY ISSUED ACCOUNTING STANDARDS

On June 15, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). SFAS No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999 (January 1, 2000 for the Corporation). SFAS No. 133 requires that all derivative instruments be

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS, Continued
(UNAUDITED)

recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Corporation anticipates that, due to its limited use of derivative instruments, the adoption of SFAS No. 133 will not have a significant effect on its results of operations or its financial position.

PART I - ITEM 2
CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS

RESULTS of OPERATIONS

Curtiss-Wright posted net earnings for the second quarter of 1998 totaling \$7.7 million, or \$.75 per diluted share, 9% above net earnings reported for the second quarter of 1997. In the aggregate, operating earnings totaled \$11.1 million for the second quarter of 1998, a 23% increase over the same quarter of last year. Sales totaled \$59.4 million for the 1998 second quarter compared with sales of \$54.4 million for the prior year period. New orders received during the 1998 period also increased, reaching \$59.8 million, compared with orders of \$53.4 million received in the same period of 1997. Increases in sales, new orders, and net earnings reflect the continued improvements generated by our business segments.

For the first six months of 1998 Curtiss-Wright posted consolidated net earnings of \$14.3 million, or \$1.38 per share, a 19% improvement as compared with net earnings of \$12.0 million, or \$1.17 per share, posted for the first six months of 1997. Sales for the 1998 first half were \$120.3 million, 12% higher than sales of \$107.6 million posted for the first half of 1997. Operating income rose 29%, to \$19.7 million for the first six months of 1998, compared with operating income of \$15.3 million for the same 1997 period. New orders received in the first half of 1998 totaled \$116.7 million, compared with new orders of \$99.0 million received during the first half of 1997.

Operating Performance

The Corporation's metal-treating businesses achieved substantial increases in sales for the second quarter of 1998 as compared with the same period of 1997. These sales improvements reflect a continuing increase in the number of applications for metal-treating services across a variety of worldwide markets, a contribution from the recently acquired Alpha Heat Treaters business, and newly opened facilities in Germany, England and the United States. For the first six months of 1998, sales of metal-treating services increased 14% over the first six-months of 1997. Operating income for these product lines also improved over the prior year for both the second quarter and first half of 1998, generally reflecting the improved sales in most markets served.

Sales of aerospace component overhaul and repair services for the second quarter increased from the level posted for the same prior year period. Despite the improvement, operating income for the period was on a par with the prior year period. Over the first six-months of 1998, the Company's sales of overhaul and repair services in the aggregate have improved 11% compared with the prior year period, while operating income has declined, reflecting inventory and related adjustments recorded in the first quarter of 1998.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS, Continued

Sales generated by aerospace actuation product lines increased in the second quarter of 1998, compared with the second quarter of 1997, primarily reflecting the continued high level of original equipment manufactured (OEM) products for the Boeing Company. Increases in sales of actuation components and systems for commercial customers for the first six months of 1998 also reflect Boeing's high production rates. In addition, sales of commercial actuation spare parts showed considerable growth in both the second quarter and first six-month periods of 1998 as compared with those same respective periods of 1997. Operating income attributable to this commercial business increased as a result of these sales increases. Sales of military actuation products declined in the second quarter of 1998 reflecting the end of an F-16 Hill Air Force retrofit shafts contract and lower foreign military sale procurements. Military sales for the first half of 1998 benefited from the completion of "safety of flight testing" on certain F-22 components, but sales of military programs overall remained below first half 1997 levels. In the aggregate, operating income for military OEM production programs declined for the three and six-month 1998 periods, the result of inefficiencies, higher-than-expected manufacturing costs, inventory write-offs, and provisions for higher anticipated costs related to development program test efforts.

The Corporation's valve product lines posted slight declines in sales and operating income on a year-over-year basis for both the second quarter and first half. These declines primarily reflect reduced sales of military valve products on a comparative basis due, in part, to a test program during the first quarter of 1997, that did not recur in 1998. Increased sales of commercial valve products largely offset the decline in military product sales.

Non-Operating Revenues and Costs

For the second quarter of 1998, the Corporation recorded other non-operating net revenue totaling \$1.3 million, compared with \$1.9 million for the second quarter of 1997, reflecting a reduction in investment income. Non-operating revenue totaled \$3.4 million for the six-month 1998 period and \$3.3 million for the same 1997 period. Administrative expenses for the second quarter and first half of 1998 and 1997 were reduced by accrued income generated from the Corporation's overfunded pension plan. Net pension income totaled \$1.8 million for the first half of both years.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS, Continued

Acquisitions

As discussed in Note 2 to the Consolidated Financial Statements, the Corporation purchased the Alpha Heat Treaters ("Alpha") division of Alpha-Beta Industries, Inc., in April 1998 for approximately \$6.0 million in cash. Alpha services a broad spectrum of customers from its York, Pennsylvania location and provides a number of metal treating processes including carburizing, surface hardening, stress relieving, induction hardening and black oxide surface treatment services. Alpha has annual sales of approximately \$4.0 million.

Subsequent to the end of the second quarter of 1998, the Corporation completed the purchase of the assets of Enertech, LLC, (Enertech). Enertech distributes, represents, and manufactures a number of products for sale into commercial nuclear power plants, both domestically and internationally, and provides a broad range of overhaul and maintenance services for such plants. The acquired operation generates annual sales of about \$25.0 million from its two principle locations in Brea, California and Suwanne, Georgia. The Corporation acquired the net assets of Enertech for approximately \$15.0 million in cash and will account for the acquisition as a purchase in the third quarter of 1998.

CHANGES IN FINANCIAL CONDITION:

Liquidity and Capital Resources:

The Corporation's working capital was \$139.6 million at June 30, 1998, 5% above working capital at December 31, 1997 of \$132.8 million. The ratio of current assets to current liabilities was 4.4 to 1 at June 30 1998, even with the current ratio of at December 31, 1997. Cash, cash equivalents and short-term investments totaled \$74.1 million in aggregate at June 30, 1998, increasing from \$68.8 million at the prior year end.

Changes in working capital reflect an increase in accounts receivable from trade customers largely due to the continued increase in sales. Net unbilled receivables also increased at June 30, 1998, over the prior year-end, due to a reduction in progress payments received on long-term valve contracts. Net inventory also increased slightly as the result of reduction in offsetting progress payments received during the first half of 1998. Working capital was reduced by accrued dividends payable for the second quarter of 1998.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS, Continued

The Corporation continues to maintain its \$22.5 million revolving credit lending facility and its \$22.5 million short-term credit agreement, which provide additional sources of capital to the Corporation. The revolving credit agreement, of which \$11.0 million remains unused at June 30, 1998, encompasses various letters of credit issued primarily in connection with outstanding industrial revenue bonds. There were no cash borrowings during the first half of 1998 and no outstanding balances for borrowed funds under the agreement at June 30, 1998.

During the half of 1998, internally generated funds were adequate to meet capital expenditures of \$2.6 million. Expenditures incurred during the first six months were primarily for machinery and equipment needed for the expansion of our metal treating operations. Internally generated funds were also used for the April 1998 purchase of Alpha Heat Treaters, and to purchase the assets of Enertech, LLC, on July 31, 1998, as detailed above. Approximately \$10 million of capital expenditures are anticipated for the balance of the year to be used primarily for purchasing machinery and equipment for our operations. An additional \$.8 million of expenditures connected with environmental remediation programs at the Corporation's Wood-Ridge, New Jersey Business Complex are anticipated in the remaining six months of the year.

RECENTLY ISSUED ACCOUNTING STANDARDS:

As discussed in Note 7 to the Consolidated Financial Statements, the Corporation is reviewing the requirements for the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities." It is anticipated that the statement will not have a material effect on the Corporation's results of operations or financial condition due to the limited use of derivative instruments. The statement is effective for the Corporation beginning January 1, 2000.

YEAR 2000:

The Corporation continues to take steps to address its exposures related to the impact on its computer systems of the year 2000. Modification of key financial and operating systems are currently being effectuated. The Corporation does not expect these system changes to have a material effect on its consolidated financial position, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS

Because forward-looking statements involve risks and uncertainties, actual results may differ materially from those which are expressed or implied. Such statements in this report include those contained in (a) environmental costs referred to in the Environmental Matters note to the Consolidated Financial Statements and in the Results of Operations portion of the Management Discussion and Analysis ("MD&A") section hereof, (b) projections relative to the costs of compliance with SFAS No. 133, referred to in a note to the Consolidated Financial Statements and in the Results of Operations portion of the Management's Discussion and Analysis section and (c) information relating to future capital expenditures contained in the Changes in Financial Condition portion of the MD&A section hereof. Important factors that could cause the actual results to differ materially from those in these forward-looking statements include, among other items, (i) unanticipated environmental remediation expenses or claims; (ii) a reduction in anticipated orders; (iii) an economic downturn; (iv) changes in the need for additional machinery and equipment and/or in the cost for the expansion of the Corporation's operations; (v) changes in the competitive marketplace and/or customer requirements; (vi) an inability to perform customer contracts at anticipated cost levels and (vii) other factors that generally affect the business of aerospace and industrial companies.

PART II - OTHER INFORMATION

Item 5. OTHER INFORMATION

(a) On July 31, 1998, Curtiss-Wright Flow Control Corporation, a wholly owned subsidiary of the Registrant, completed the acquisition of privately-held Enertech, LLC. The transaction was structured as an asset acquisition.

Enertech, headquartered in Brea, California, is a provider of flow control equipment to the commercial nuclear power industry. Enertech has annual sales of about \$25.0 million. The Company manufactures, represents and distributes flow control products including advanced valves, actuators, snubbers and hydraulic systems for sale into commercial nuclear power plants both domestically and internationally. Additionally, Enertech provides value-added services including diagnostic testing, predictive maintenance, parts repair and rebuilding, as well as training, engineering programs and staff augmentation to reduce downtime and improve plant efficiency. Enertech also serves the commercial hydraulics industry through its Paul-Munroe Enertech (PME) division. The Corporation acquired the Enertech assets for approximately \$15.0 million in cash. The business will retain the Enertech and PME names, and its management team will remain in place to continue to service customers from its principal locations in Brea, California and Suwanee, Georgia. The acquired business unit will be a division of Curtiss-Wright Flow Control Corporation.

(b) In the event a shareholder proposal is intended to be presented at the Corporation's 1999 Annual Meeting of Shareholders and inclusion has not been sought in the Corporation's proxy material pursuant to Rule 14a-8, the proposal must be received by the Secretary of the Corporation, Dana M. Taylor, Jr., Curtiss-Wright Corporation, Suite 501, 1200 Wall Street West, Lyndhurst, New Jersey 07071 by January 27, 1999. Pursuant to amended SEC Rule 14a-4(c)(1), the Corporation shall exercise discretionary voting authority to the extent conferred by proxy with respect to shareholder proposals received after that date.

OTHER INFORMATION, Continued

Item 6. EXHIBITS and REPORTS on FORM 8-K

(a) Exhibits

Exhibit 10 - Material Contracts

(i) Standard Severance Protection Agreement dated June 19, 1998 between the Registrant and Officers of the Registrant. The Agreement signed by David Lasky is attached. The other seven are substantially identical except that the signing officers were Martin R. Benante, Gary J. Benschip, Robert A. Bosi, George J. Yohrling, Gerald Nachman, Kenneth P. Slezak and Dana M. Taylor, and that the contract with Dana M. Taylor was attested on behalf of Registrant by Stephen R. Bosin, Assistant Secretary.

(ii) Amendments to Curtiss-Wright Retirement Plan dated April 1, 1998, April 29, 1998, April 30, 1998 and June 30, 1998.

Exhibit 27 - Financial Data Schedules (Page 41)

(b) Reports on Form 8-K

The Registrant did not file any report on Form 8-K during the quarter ended June 30, 1998.

SIGNATURES

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

CURTISS-WRIGHT CORPORATION
(Registrant)

By: *S/Robert A. Bosi*

Robert A. Bosi
Vice President-Finance

By: *S/Kenneth P. Slezak*

Kenneth P. Slezak
Controller

Dated: August 14, 1998

EXHIBIT 10 (i)

SEVERANCE PROTECTION AGREEMENT

THIS AGREEMENT made as of the 19th day of June 1998, by and between Curtiss-Wright Corporation (the "Company") and David Lasky (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that the possibility of a Change in Control (as hereinafter defined) exists and that the threat or the occurrence of a Change in Control can result in significant distraction of the Company's key management personnel because of the uncertainties inherent in such a situation;

WHEREAS, the Board has determined that it is essential and in the best interest of the Company and its stockholders, for the Company to retain the services of the Executive in the event of a threat or occurrence of a Change in Control and to ensure the Executive's continued dedication and efforts in such event without undue concern for the Executive's personal financial and employment security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company and/or one of its Affiliates (the entity or entities employing the Executive, the "Employing Affiliate"), particularly in the event of a threat or the occurrence of a Change in Control, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event the Executive's employment is terminated as a result of, or in connection with, a Change in Control.

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. Term of Agreement. This Agreement shall commence as of June 1, 1998, and shall continue in effect until December 31, 2001 (the "Term"); provided, however, that on January 1, 1999, and on each January 1 thereafter, the Term shall automatically be extended for one (1) year unless either the Executive or the Company shall have given written notice to the other at least ninety (90) days prior thereto that the Term shall not be so extended; provided, further, however, that following the occurrence of a Change in Control, the Term shall not expire prior to the expiration of twenty-four (24) months after such occurrence.

2. Termination of Employment. If, during the Term, the Executive's employment with the Company or an Employing Affiliate shall be terminated within twenty-four (24) months following a Change in Control, the Executive shall be entitled to the following compensation and benefits:

(a) If the Executive's employment with the Company or an Employing Affiliate shall be terminated (1) by the Company for Cause or Disability, (2) by reason of the Executive's death, or (3) by the Executive other than for Good Reason, the Company shall pay to the Executive his Accrued Compensation.

(b) If the Executive's employment with the Company or an Employing Affiliate shall be terminated for any reason other than as specified in Section

2(a), the Executive shall be entitled to the following:

(1) the Company shall pay the Executive all Accrued Compensation and a Pro Rata Bonus;

(2) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Termination Date, an amount equal to two times the sum of (A) the Executive's Base Amount and (B) the Executive's Bonus Amount;

(3) for twenty-four (24) months following the Executive's Termination Date (the "Continuation Period"), the Company shall continue on behalf of the Executive and his dependents and beneficiaries the life insurance, disability, medical, dental, prescription drug and hospitalization coverages and benefits provided to the Executive immediately prior to the Change in Control or, if greater, the coverages and benefits provided at any time thereafter. The coverages and benefits (including deductibles and costs to the Executive) provided in this Section 2(b)(3) during the Continuation Period shall be no less favorable to the Executive and his dependents and beneficiaries than the most favorable of such coverages and benefits referred to above. The Company's obligation hereunder with respect to the foregoing coverages and benefits shall be reduced to the extent that the Executive obtains any such coverages and benefits pursuant to a subsequent employer's benefit plans, in which case the Company may reduce any of the coverages or benefits it is required to provide the Executive hereunder so long as the aggregate coverages and benefits (including deductibles and costs to the Executive) of the combined benefit plans is no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This Section 2(b)(3) shall not be interpreted so as to limit any benefits to which the Executive, his dependents or beneficiaries may be entitled under any of the Company's employee benefit plans, programs or practices following the Executive's termination of employment, including without limitation, retiree medical and life insurance benefits;

(4) the Executive shall be fully vested in all benefits accrued through the Termination Date under the Company's Retirement and Retirement Benefits Restoration Plans; provided, however, if the vesting under any such plan is not permitted by applicable law, the Company shall pay to the Executive in cash in a lump sum the amount of the Executive's nonvested benefits under the applicable plan, determined using the actuarial assumptions used by such plan for calculating lump sum distributions;

(5) the Company shall permit the Executive to purchase at its wholesale value the Company-provided automobile being provided to the Executive on the Termination Date (if any);

(6) with respect to performance units and performance shares granted to the Executive under the Company's 1995 Long-Term Incentive Plan (or any successor plan) relating to performance cycles which are incomplete as of the Termination Date,

upon the completion of each such performance cycle, the Executive shall be entitled to payment of the performance units and performance shares relating to such performance cycle based on the actual performance of the Company or an Employing Affiliate, as appropriate, during such performance cycle (with appropriate adjustments to the performance goals made in good faith by the Company to reflect the transaction which constitutes the Change in Control and any material transaction, financing, restructuring, reorganization or other event following the Change in Control to ensure that comparable performance will result in comparable awards in respect of the performance units and performance shares) as if the Executive had been a participant under such plan for the entirety of such performance cycle, multiplied by a fraction the numerator of which shall be equal to the number of whole and partial months from the commencement of such performance cycle through the Termination Date and the denominator of which shall be the number of months in such performance cycle, such payment to be made in a lump sum in cash within ten (10) days following the completion of such performance cycle.

(c) The amounts provided for in Sections 2(a) and 2(b)(1), (2) and (4) shall be paid in a single lump sum cash payment within ten (10) days after the Executive's Termination Date (or earlier, if required by applicable law).

(d) The severance pay and benefits provided for in this Section 2 shall be in lieu of any other severance pay to which the Executive may be entitled under any severance agreement with the Company or any other plan, agreement or arrangement of the Company or any other Affiliate of the Company. The Executive's entitlement to any compensation or benefits other than as provided herein shall be determined in accordance with the employee benefit plans of the Company and any of its Affiliates and other applicable agreements, programs and practices as in effect from time to time.

(e) If the Executive's employment is terminated by the Company or an Employing Affiliate without Cause prior to the date of a Change in Control but the Executive reasonably demonstrates that such termination (1) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party") and who effectuates a Change in Control or (2) otherwise arose in connection with, or in anticipation of, a Change in Control which has been threatened or proposed and which actually occurs, such termination shall be deemed to have occurred after a Change in Control.

3. (a) Vesting of Certain Awards. Whether or not the Executive's employment with the Company or an Employing Affiliate terminates during the Term, and notwithstanding anything to the contrary in any other plan or agreement, on the date of the occurrence of a Change in Control (the "Acceleration Date") (1) all stock options and stock appreciation rights granted to the Executive by the Company and outstanding on the Acceleration Date shall become fully vested and exercisable and (2) all restrictions shall lapse on all shares of restricted stock granted to the Executive by the Company and outstanding on the Acceleration Date.

(b) (1) Gross-Up Payment. In the event it shall be determined that any payment or distribution of any type to or for the benefit of the Executive

(other than the payment provided for in this Section 3(b)) directly or indirectly by the Company, any Affiliate of the Company, any Person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any Affiliate of such Person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), is or will be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments.

(2) Determination By Accountant. All mathematical determinations, and all determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), that are required to be made under this Section 3(b), including determinations as to whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and amounts relevant to the last sentence of this Section 3(b)(2), shall be made by an independent accounting firm selected by the Executive from among the five (5) largest accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive by no later than ten (10) days following the Termination Date, if applicable, or such other time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax or that an Underpayment (as defined below) has occurred). If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive and the Company with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Executive has substantial authority for filing his federal income tax return accordingly. If a Gross-Up Payment is determined to be payable, it shall be paid to the Executive within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to the Company by the Accounting Firm. Any determination by the Accounting Firm shall be binding upon the Company and the Executive, absent manifest error. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments not made by the Company should have been made ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment (including any applicable interest and penalties) shall be promptly paid by the Company to or for the benefit of the Executive. In the

case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment, provided, however, that (i) the Executive shall not in any event be obligated to return to the Company an amount greater than the net after-tax portion of the Overpayment that he has retained or has recovered as a refund from the applicable taxing authorities and (ii) this provision shall be interpreted in a manner consistent with the intent of Section 3(b)(1), which is to make the Executive whole, on an after-tax basis, from the application of the Excise Tax, it being understood that the correction of an Overpayment may result in the Executive repaying to the Company an amount which is less than the Overpayment. The cost of all such determinations made pursuant to this Section 3 shall be paid by the Company.

4. Notice of Termination. Following a Change in Control, any intended termination of the Executive's employment by the Company or an Employing Affiliate shall be communicated by a Notice of Termination from the Company to the Executive, and any intended termination of the Executive's employment by the Executive for Good Reason shall be communicated by a Notice of Termination from the Executive to the Company.

5. Fees and Expenses. The Company shall pay, as incurred, all legal fees and related expenses (including the costs of experts, evidence and counsel) that the Executive may incur following a Change in Control as a result of or in connection with (a) the Executive's contesting, defending or disputing the basis for the termination of the Executive's employment, (b) the Executive's hearing before the Board of Directors of the Company as contemplated in Section 16.5 of this Agreement or (c) the Executive seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Company or one of its Affiliates under which the Executive is or may be entitled to receive benefits.

6. Unauthorized Disclosure. The Executive agrees and understands that in the Executive's position with the Company or an Employing Affiliate the Executive has been and will be exposed to and receive information relating to the affairs of the Company considered by the Company to be confidential and in the nature of trade secrets. The Executive agrees that during his employment with the Company or an Employing Affiliate and thereafter, the Executive will keep such information confidential and will not disclose such information, either directly or indirectly, to any third person or entity without the prior written consent of the Company; provided, however, that (i) the Executive shall have no such obligation to the extent such information is or becomes publicly known other than as a result of the Executive's breach of his obligations hereunder and (ii) the Executive may, after giving prior notice to the Company to the extent practicable under the circumstances, disclose such information to the extent required by applicable laws or governmental regulations or judicial or regulatory process.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including any Notice of Termination) shall be in writing, shall be signed by the Executive if to the Company or by a duly

authorized officer of the Company if to the Executive, and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof (whichever is earlier), except that notice of change of address shall be effective only upon receipt.

8. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any other Affiliate of the Company and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company or any other Affiliate of the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any other Affiliate of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

9. (a) Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, defense, recoupment, or other claim, right or action which the Company may have against the Executive or others.

(b) No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment except as provided in Section 2(b)(3).

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by any party which are not expressly set forth in this Agreement.

11. Trust Funding. Within five (5) days following the occurrence of a Change in Control or a Potential Change in Control (as defined in the Trust) the Company shall contribute to the trust established pursuant to the trust agreement dated as of January 30, 1998 between the Company and PNC Bank, National Association (the "Trust"), for the benefit of the Executive, an amount equal to the aggregate amounts payable to the Executive pursuant to Sections 2(b)(1), (2), (4), (6) and 3(b), determined as if the Executive's Termination Date was the date of the Change in Control or the Potential Change in Control, as the case may be. If the amounts payable are not determinable

by the fifth day following the date of the Change in Control or the Potential Change in Control, as the case may be, the Company shall make a reasonable good faith estimate of the amount to be contributed to the Trust. The amounts contributed to the Trust pursuant to this Section shall be held pursuant to the terms of the Trust, but shall in no event revert to the Company or any of its Affiliates until all obligations of the Company to the Executive pursuant to this Agreement have been satisfied.

12. Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company and its Successors and Assigns. The Company shall require its Successors and Assigns, by agreement in form and substance reasonably satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

13. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in Bergen County in the State of New Jersey.

14. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto, and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto, with respect to the subject matter hereof.

16. Definitions.

16.1. Accrued Compensation. For purposes of this Agreement, "Accrued Compensation" shall mean all amounts of compensation for services rendered to the Company or an Employing Affiliate that have been earned or accrued through the Termination Date but that have not been paid as of the Termination Date including (a) base salary, (b) reimbursement for reasonable and necessary business expenses incurred by the Executive on behalf of the Company or an Employing Affiliate during the period ending on the Termination Date and (c) vacation pay; provided, however, that Accrued Compensation shall not include any amounts described in clause (a) that have been deferred pursuant to any salary reduction or deferred compensation elections made by the Executive.

16.2. Affiliate. For purposes of this Agreement, "Affiliate" means, with respect to any Person, any entity, directly or indirectly, controlled by, controlling or under common control with the Person.

16.3. Base Amount. For purposes of this Agreement, "Base Amount" shall mean the Executive's annual base salary at the rate in effect as of the date of a Change in Control or, if greater, at any time thereafter, determined without regard to any salary reduction or deferred compensation elections made by the Executive.

16.4. Bonus Amount. For purposes of this Agreement, "Bonus Amount" shall mean the average of the annual bonus paid or payable under the Incentive Plan in respect of any of the three (3) full fiscal years ended prior to the Termination Date or, if greater, the three (3) full fiscal years ended prior to the Change in Control (or, in either case, such lesser number of full fiscal years that the Executive has been employed by the Company or an Employing Affiliate); provided, however, if, as of the date of the Change in Control, the Executive has not been employed by the Company or an Employing Affiliate for a full fiscal year, the Bonus Amount shall not be less than the target annual bonus payable to the Executive under the Incentive Plan in respect of the fiscal year during which the Change in Control occurs.

16.5. Cause. For purposes of this Agreement, a termination of employment is for "Cause" if the Executive

(a) has been convicted of a felony;

(b) intentionally and continually failed substantially to perform his reasonably assigned duties with the Company or an Employing Affiliate (other than a failure resulting from the Executive's incapacity due to physical or mental illness or from the assignment to the Executive of duties that would constitute Good Reason) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance, signed by a duly authorized officer of the Company, has been delivered to the Executive specifying the manner in which the Executive has failed substantially to perform; or

(c) intentionally engaged in illegal conduct or willful misconduct which is demonstrably and materially injurious to the Company or an Employing Affiliate.

For purposes of this Agreement, no act, nor failure to act, on the Executive's part, shall be considered "intentional" unless the Executive has acted, or failed to act, with a lack of good faith and with a lack of reasonable belief that the Executive's action or failure to act was in the best interest of the Company or an Employing Affiliate. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Company's Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or an Employing Affiliate. The termination of employment of the Executive shall not be deemed to be for Cause pursuant to subparagraph (b) or (c) above unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of

not less than three-fourths of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (b) or (c) above, and specifying the particulars thereof in detail. Notwithstanding anything contained in this Agreement to the contrary, no failure to perform by the Executive after a Notice of Termination is given to the Company by the Executive shall constitute Cause for purposes of this Agreement.

16.6. Change in Control. A "Change in Control" shall mean the occurrence during the term of the Agreement of:

(a) An acquisition (other than directly from the Company) of any common stock of the Company ("Common Stock") or other voting securities of the Company entitled to vote generally for the election of directors (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control; provided, further, however, that with respect to any acquisition of Beneficial Ownership by Unitrin Inc., the reference to twenty percent (20%) in this Section 16.6(a) and Section 16.6(c) shall be deemed to be forty-five percent (45%). A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (a "Subsidiary") (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a Non-Control Transaction (as hereinafter defined);

(b) The individuals who, as of June 1, 1998, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the election, or nomination for election by the Company's shareholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(1) A merger, consolidation or reorganization to which the Company is a party or in which securities of the Company are issued, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued where:

(A) the shareholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least sixty percent (60%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors of the Surviving Corporation, or a corporation beneficially directly or indirectly owning a majority of the combined voting power of the outstanding voting securities of the Surviving Corporation, and

(C) no Person other than (i) the Company, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such merger, consolidation or reorganization, was maintained by the Company, the Surviving Corporation, or any Subsidiary, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities or common stock of the Company, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities or its common stock.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary or a distribution to the Company's shareholders).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding common stock or Voting Securities as a result of the acquisition of Common Stock or Voting Securities by the Company which, by reducing the number of shares of Common Stock or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of shares of Common Stock or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional shares of Common Stock or Voting Securities which increases the percentage of the then outstanding shares of Common Stock or Voting Securities Beneficially Owned by the Subject

Person, then a Change in Control shall occur.

16.7. Company. For purposes of this Agreement, all references to the Company shall include its Successors and Assigns.

16.8. Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties with the Company or an Employing Affiliate for six (6) consecutive months, and within the time period set forth in a Notice of Termination given to the Executive (which time period shall not be less than thirty (30) days), the Executive shall not have returned to full-time performance of his duties; provided, however, that if the Company's Long Term Disability Plan, or any successor plan (the "Disability Plan"), is then in effect, the Executive shall not be deemed disabled for purposes of this Agreement unless the Executive is also eligible for long-term disability benefits under the Disability Plan (or similar benefits in the event of a successor plan).

16.9. Good Reason. (a) For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control of any of the following events or conditions:

- (1) a change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities as in effect immediately prior thereto; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title or position; or any removal of the Executive from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, as a result of his death or by the Executive other than for Good Reason;
- (2) a reduction in the Executive's annual base salary below the Base Amount;
- (3) the relocation of the offices of the Company or an Employing Affiliate at which the Executive is principally employed to a location more than twenty-five (25) miles from the location of such offices immediately prior to the Change in Control, or the requirement that the Executive to be based anywhere other than such offices, except to the extent the Executive was not previously assigned to a principal location and except for required travel on the business of the Company or an Employing Affiliate to an extent substantially consistent with the Executive's business travel obligations at the time of the Change in Control;
- (4) the failure by the Company or an Employing Affiliate to pay to the Executive any portion of the Executive's current compensation or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company or an Employing Affiliate in which the Executive participated, within seven (7) days of the date such compensation is due;
- (5) the failure by the Company or an Employing Affiliate to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material

compensation or employee benefit plan in which the Executive was participating immediately prior to the Change in Control, including, but not limited to, any of the plans listed in Appendix A hereto, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or (B) provide the Executive with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each other compensation, employee benefit or fringe benefit plan, program or practice in which the Executive was participating immediately prior to the Change in Control;

(6) the failure of the Company to obtain from its Successors or Assigns the express assumption and agreement required under Section 12 hereof; or

(7) any purported termination of the Executive's employment by the Company or an Employing Affiliate which is not effected pursuant to a Notice of Termination satisfying the terms set forth in the definition of Notice of Termination (and, if applicable, the terms set forth in the definition of Cause).

(b) Any event or condition described in Section 16.9(a)(1) through (7) which occurs prior to a Change in Control but which the Executive reasonably demonstrates (1) was at the request of a Third Party who effectuates a Change in Control or (2) otherwise arose in connection with, or in anticipation of a Change in Control which has been threatened or proposed and which actually occurs, shall constitute Good Reason for purposes of this Agreement notwithstanding that it occurred prior to a Change in Control.

16.10. Incentive Plan. For purposes of this Agreement, "Incentive Plan" shall mean the Company's Modified Incentive Compensation Plan, or any successor annual incentive plan, maintained by the Company or any Affiliate of the Company.

16.11. Notice of Termination. For purposes of this Agreement, following a Change in Control, "Notice of Termination" shall mean a written notice of termination of the Executive's employment, signed by the Executive if to the Company or by a duly authorized officer of the Company if to the Executive, which indicates the specific termination provision in this Agreement, if any, relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Disability or Cause shall not serve to waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

16.12. Pro Rata Bonus. For purposes of this Agreement, "Pro Rata Bonus" shall mean an amount equal to the Bonus Amount multiplied by a fraction the numerator of which is the number of days in the fiscal year in which the Executive's Termination Date occurs that have elapsed through the Termination Date and the denominator of which is 365.

16.13. Successors and Assigns. For purposes of this Agreement, "Successors and Assigns" shall mean, with respect to the Company, a corporation or other entity acquiring all or substantially all the assets and business of the Company, as the case may be whether by operation of law or otherwise.

16.14. Termination Date. For purposes of this Agreement, "Termination Date" shall mean (a) in the case of the Executive's death, his date of death, (b) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such thirty (30) day period) and (c) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination for Cause shall not be less than thirty (30) days, and in the case of a termination for Good Reason shall not be more than sixty (60) days, from the date such Notice of Termination is given); provided, however, that if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination in good faith notifies the other party that a dispute exists concerning the basis for the termination, the Termination Date shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, or by the final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been taken). Notwithstanding the pendency of any such dispute, the Company or an Employing Affiliate shall continue to pay the Executive his Base Amount and continue the Executive as a participant (at or above the level provided prior to the date of such dispute) in all compensation, incentive, bonus, pension, profit sharing, medical, hospitalization, prescription drug, dental, life insurance and disability benefit plans in which he was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved whether or not the dispute is resolved in favor of the Company, and the Executive shall not be obligated to repay to the Company or an Employing Affiliate any amounts paid or benefits provided pursuant to this sentence.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by their duly authorized officers and the Executive has executed this Agreement as of the day and year first above written.

CURTISS-WRIGHT CORPORATION

*By: S/Robert A. Bosi
Title: Vice President*

ATTEST:

*S/Dana M. Taylor
Secretary*

*By: S/David Lasky
Executive*

Long Term Incentive Plan

Modified Incentive Compensation Plan

Retirement Plan

Retirement Benefits Restoration Plan

Deferred Compensation Plan

Savings and Investment Plan

Medical, dental and prescription coverage

Long Term Disability Plan

Life insurance coverage

Business travel insurance coverage

Salary continuation program

**SIXTH AMENDMENT TO THE
CURTISS-WRIGHT CORPORATION RETIREMENT PLAN**

THIS AMENDMENT, dated the 1st day of April 1998, to the CURTISS-WRIGHT

CORPORATION RETIREMENT PLAN:

WITNESSETH:

WHEREAS, effective May 1, 1953, CURTISS-WRIGHT CORPORATION (the "Company") established the CURTISS-WRIGHT CONTRIBUTORY RETIREMENT PLAN (the "Plan"); and

WHEREAS, the Plan was restated in its entirety and renamed the CURTISS- WRIGHT CORPORATION RETIREMENT PLAN, effective September 1, 1994; and

WHEREAS, Section 12.01 of the Plan permits the Company to amend the Plan at any time.

NOW, THEREFORE, the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN shall

be, and is, hereby amended as follows:

1. All references to the "Target Rock Corporation" will change to "Curtiss-Wright Flow Control Corporation".
2. Subsection 9.02 (a) is hereby amended by adding the following subparagraph after Subsection 9.02 (a) (viii):

(ix) Metal Improvement Company, Inc., Long Island Division with respect to any such pensioner whose credited service was with the METAL IMPROVEMENT COMPANY, INC. LONG ISLAND DIVISION with benefits commencing on or after April 1, 1998, three dollars (\$3.00) multiplied by his years of credited service on or after April 1, 1998, for any pension payments due for months commencing on or after April 1, 1998, credited service for vesting purposes shall commence April 1, 1998.

3. This Sixth Amendment shall be effective April 1, 1998.

IN WITNESS WHEREOF, the Curtiss-Wright Corporation Retirement Plan Committee hereby RESOLVES that the foregoing amendment be and hereby is adopted.

ATTEST:

**CURTISS-WRIGHT CORPORATION
RETIREMENT PLAN COMMITTEE**

Dana M. Taylor, Jr., Secretary

**SEVENTH AMENDMENT TO THE
CURTISS-WRIGHT CORPORATION RETIREMENT PLAN**

THIS AMENDMENT, dated the 29th day of April 1998, to the CURTISS-WRIGHT

CORPORATION RETIREMENT PLAN:

W I T N E S S E T H:

WHEREAS, effective May 1, 1953, CURTISS-WRIGHT CORPORATION (the "Company") established the CURTISS-WRIGHT CONTRIBUTORY RETIREMENT PLAN (the "Plan"); and

WHEREAS, the Plan was restated in its entirety and renamed the CURTISS- WRIGHT CORPORATION RETIREMENT PLAN, effective September 1, 1994; and

WHEREAS, the Plan as so restated had several paragraphs out of order;

NOW, THEREFORE, so as to correct the said out-of-order condition, the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN shall be, and is, hereby amended as follows:

1. Article 9.02 Subsections (b) Early Retirement and (c) Total and Permanent Disability Retirement in their entirety are moved to follow Subsection 9.02 (a) (ix).

IN WITNESS WHEREOF, the Curtiss-Wright Corporation Retirement Plan Committee hereby RESOLVES that the foregoing amendment be and hereby is adopted.

ATTEST:

**CURTISS-WRIGHT CORPORATION
RETIREMENT PLAN COMMITTEE**

Dana M. Taylor, Jr., Secretary

**EIGHTH AMENDMENT TO THE
CURTISS-WRIGHT CORPORATION RETIREMENT PLAN**

THIS AMENDMENT, dated the 30th day of April 1998, to the CURTISS-WRIGHT

CORPORATION RETIREMENT PLAN:

W I T N E S S E T H:

WHEREAS, effective May 1, 1953, CURTISS-WRIGHT CORPORATION (the "Company") established the CURTISS-WRIGHT CONTRIBUTORY RETIREMENT PLAN (the "Plan"); and

WHEREAS, the Plan was restated in its entirety and renamed the CURTISS- WRIGHT CORPORATION RETIREMENT PLAN, effective September 1, 1994; and

WHEREAS, Section 12.01 of the Plan permits the Company to amend the Plan at any time.

NOW, THEREFORE, the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN shall

be, and is, hereby amended as follows:

1. Subsection 1.13 is hereby amended by adding the following subparagraph:

"(e) Notwithstanding any provision in this Plan to the contrary, for purposes of determining Credited Service, an Employee hired on April 30, 1998 whose immediate prior service was with the Alpha Heat Treaters Division of Alpha-Beta Industries, Inc. shall have Credited Service computed from April 30, 1998."

2. Subsection 1.46 is hereby amended by adding the following subparagraph:

"For periods of employment of an Employee hired on April 30, 1998 who, immediately prior thereto was employed with the Alpha Heat Treaters Division of Alpha- Beta Industries, Inc. such prior service, shall be included in the calculation of Vesting Years of Service, as herein defined."

3. Subsection 2.01 is hereby amended by adding the following paragraph:

"(d) Any Employee hired on April 30, 1998 whose immediate prior service was with Alpha-Beta Industries shall be eligible to participate in the Plan as of the Entry Date coinciding with or next following the date he or she completes his or her Year of Eligibility Service, which Year of Eligibility Service shall include all full time service at Alpha-Beta Industries and shall remain eligible so long as he or she continues to satisfy the eligibility requirements in sub-paragraphs (b) (i) and (ii) above."

4. This Eighth Amendment shall be effective April 30, 1998.

IN WITNESS WHEREOF, the Curtiss-Wright Corporation Retirement Plan Committee hereby RESOLVES that the foregoing amendment be and hereby is adopted.

ATTEST:

**CURTISS-WRIGHT CORPORATION
RETIREMENT PLAN COMMITTEE**

Dana M. Taylor, Jr., Secretary

**NINTH AMENDMENT TO THE
CURTISS-WRIGHT CORPORATION RETIREMENT PLAN**

AMENDMENT, made this 30th day of June 1998, to the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN (hereinafter called the "Plan"):

WITNESSETH:

WHEREAS, CURTISS-WRIGHT CORPORATION (hereinafter called the "Company") adopted a defined benefit retirement plan for the Company's employees; and

WHEREAS, the Company has decided to amend the Plan; and

WHEREAS, Article 12 of the Plan permits the Company to amend the Plan from time to time.

NOW, THEREFORE, the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN shall be and is hereby amended as follows:

1. Section 6.01 is amended by adding the following paragraph (c) at the end thereof:

"(c) In addition to the benefit described in Section 4.02 and paragraphs (a) and (b) of this Section 6.01, the Normal Retirement Benefit of certain participants shall be increased. Participants described in Part A of Schedule I shall receive the increase set forth in subparagraphs (i) through (iii) herein. Participants described in Part B of Schedule I shall receive the increase set forth in subparagraph (iv) herein, adjusted for optional form of payment as provided in Section 7.02.

(i) The benefit described in Section 6.01(a) shall be increased by the sum of (A) and (B) below:

(A) the applicable factor in Schedule I multiplied by the employer accrued benefit under Section 6.01(a) as of the date of determination, but in no event later than December 31, 2000,

(B) the applicable factor in Schedule I multiplied by the employer accrued benefit under Section 6.01(a) as of the date of determination, but in no event later than December 31, 2000, multiplied by a Participant's Years of Credited Service after December 31, 1997 and before January 1, 2001.

(ii) The benefit described in Section 6.01(b) shall be increased by the sum of (A) and (B) below:

(A) the product of the applicable factor in Schedule I, multiplied by the fraction $10/3$, multiplied by the sum of:

(I) one and one-half percent of Average Compensation in excess of Covered Compensation, with Average Compensation determined as of the date of determination, but in no event later than December 31, 2000, and Covered Compensation determined as of December 31, 1997, plus

(II) one percent of Average Compensation, as determined in accordance with subparagraph (I) above, up to Covered Compensation, with Covered Compensation determined as of December 31, 1997.

(B) the product of the applicable factor in Schedule I, multiplied by a Participant's Years of Credited Service after December 31, 1997 and before January 1, 2001, multiplied by the sum of:

(I) one and one-half percent of Average Compensation in excess of Covered Compensation, with Average Compensation and Covered Compensation determined as of the date of determination, but in no event later than December 31, 2000, plus

(II) one percent of Average Compensation up to Covered Compensation, with Covered Compensation and Average Compensation determined in accordance with subparagraph (I) above.

(iii) The benefit described in Section 4.02 shall be increased by the sum of (A) to (D) below:

(A) the applicable factor described in Schedule I multiplied by the Participant's Cash Balance Account as of December 31, 1997.

(B) the applicable factor described in Schedule I multiplied by the credit to the Participant's Cash Balance Account for the 1998 Plan Year.

(C) the applicable factor described in Schedule I multiplied by the credit to the Participant's Cash Balance Account for the 1999 Plan Year.

(D) the applicable factor described in Schedule I multiplied by the credit to the Participant's Cash Balance Account for the 2000 Plan Year.

(iv) The additional benefits shall be set forth in Part B of Schedule I.

(v) In the event the limitation on Compensation in Section 401(a)(17) of the Code is increased at any time by statute or regulation (but not by application of the cost-of-living adjustment factor in Section 401(a)(17)(b) of the Code), all accruals under this section 6.01(c) shall cease as of the effective date of said increase.

(vi) If the Internal Revenue Service, upon timely application, determines that this Section 6.01(c) causes the Plan to lose its tax-exempt status, then this Ninth Amendment shall be void ab initio."

2. The Ninth Amendment shall be effective January 1, 1997, subject to receipt of written determination from the Internal Revenue Service, that the Plan as amended herein, continues to qualify under Section 401(a) of the Internal Revenue Code, and the related trust remains tax-exempt under Section 501(a) of said Code.

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	JUN 30 1998
CASH	9,495
SECURITIES	64,608
RECEIVABLES	46,078
ALLOWANCES	1,645
INVENTORY	51,232
CURRENT ASSETS	180,200
PP&E	227,730
DEPRECIATION	157,682
TOTAL ASSETS	299,559
CURRENT LIABILITIES	40,565
BONDS	10,347
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	15,000
OTHER SE	202,106
TOTAL LIABILITY AND EQUITY	299,559
SALES	120,251
TOTAL REVENUES	123,674
CGS	80,380
TOTAL COSTS	100,541
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	185
INCOME PRETAX	22,948
INCOME TAX	8,642
INCOME CONTINUING	14,306
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	14,306
EPS PRIMARY	1.40
EPS DILUTED	1.38

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