

# CURTISS WRIGHT CORP

## FORM DEF 14A (Proxy Statement (definitive))

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

# CURTISS-WRIGHT CORPORATION

1200 Wall Street West, Lyndhurst, New Jersey 07071

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

### To the Stockholders of Curtiss-Wright Corporation:

Notice is hereby given that the Annual Meeting of Stockholders of Curtiss-Wright Corporation, a Delaware corporation, will be held at the Novotel Meadowlands Hotel, One Polito Avenue, Lyndhurst, New Jersey on Friday, May 5, 1995, at 2:00 p.m., for the following purposes:

- (1) To elect six directors, each to hold office until the next Annual Meeting of Stockholders and until his or her successor shall have been elected and shall qualify;
- (2) To consider and act upon a proposal to approve the Corporation's 1995 Long-Term Incentive Plan;
- (3) To appoint independent accountants for the current year, Price Waterhouse having been nominated as such by the Board of Directors; and
- (4) To consider and transact such other business as may properly come before the meeting.

Only holders of common stock of record at the close of business on March 10, 1995 are entitled to notice of and to vote at the meeting. A list of such holders will be at the offices of the Corporation, 1200 Wall Street West, Lyndhurst, N.J. 07071, during the ten days preceding the meeting date.

### PLEASE FILL IN, SIGN AND PROMPTLY RETURN YOUR PROXY IN THE

ENCLOSED POSTAGE-PAID ENVELOPE. Stockholders who plan to attend the meeting in person are nevertheless requested to sign and return their proxies to make certain that their stock will be represented at the meeting should they be prevented unexpectedly from attending.

By Order of the Board of Directors,

Dana M. Taylor, Jr.

Secretary

March 13, 1995 - 1 -

**CURTISS-WRIGHT CORPORATION**  
1200 Wall Street West, Lyndhurst, New Jersey 07071

**PROXY STATEMENT**

This Proxy Statement is furnished by Curtiss-Wright Corporation (hereinafter called the "Corporation" or the "Company") in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders to be held at the time and place and for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders. The Proxy Statement and accompanying proxy will be first mailed to stockholders on or about March 17, 1995.

As of March 10, 1995, the record date for determining the holders of common stock entitled to notice of and to vote at the Annual Meeting, there were outstanding and entitled to vote at the Annual Meeting 5,059,053 shares of common stock. Each share of stock is entitled to one vote.

The proxy card provides space for a shareholder to withhold voting for any or all nominees for the Board of Directors, and to abstain from voting for the appointment of independent accountants or for the Corporation's 1995 Long-Term Incentive Plan if the shareholder chooses to do so. The election of directors requires a plurality of the votes cast while the approval of the appointment of independent accountants and of the Corporation's 1995 Long-Term Incentive Plan both require the affirmative vote of a majority in interest of the stockholders present in person or by proxy and entitled to vote. Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present at the meeting. An abstention will be treated as a negative vote with respect to each matter other than the election of directors as to which the shareholder abstained. As to broker non-votes, if a broker indicates on the proxy that it does not have discretionary authority to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

Where a specific designation is given in the proxy with respect to the vote on the election of directors, the appointment of independent accountants, or approval of the Corporation's 1995 Long-Term Incentive Plan, the proxy will be voted in accordance with such designation. If no such designation is made, the proxy will be voted in favor of the directors named below, in favor of the appointment of independent accountants, and in favor of the 1995 Long-Term Incentive Plan. Anyone giving a proxy may revoke it at any time before its use at the Meeting by personally appearing at the Meeting and casting a contrary vote, or by giving a later proxy indicating a desire to vote differently than is indicated by his earlier proxy.

**ELECTION OF DIRECTORS**

At this Annual Meeting six directors are to be elected, each to hold office until the next Annual Meeting of Stockholders and until his or her successor shall have been duly elected and shall qualify. Each nominee has been recommended for election by the Nominating Committee of the Board of Directors and by the Board. In the event that any such nominee should become unavailable for election, the persons named in the proxy may vote for the election of a substitute nominee. However, the Board of Directors has no reason to believe that any of the nominees described below will be unavailable for election.

Shirley D. Brinsfield, Chairman of the Board of Directors, has decided to retire upon the expiration of his present term, and will not stand for reelection as a director at the Annual Meeting of Stockholders. Mr. Brinsfield has served as a director since 1972. His contribution through the years has been valued and appreciated.

The following information is provided as of March 10, 1995 with respect to each nominee for election as a director.

Name	Business Experience and Principal Occupation For Last Five Years; Directorships in Public Corporations and Investment Companies; Age	Year First Elected Director
Thomas R. Berner	Partner in Berner & Berner, P.C., attorneys. Age 47.	1990
John S. Bull	Former President of Moran Towing & Transportation Co., Incorporated, engaged in marine transportation. Age 84.	1961
James B. Busey, IV	President and chief executive officer of Armed Forces Communications and Electronics Association since September 1992; Director, Mitre Corporation since February 1995; Director, Texas Instruments, Incorporated since July 1992; Deputy Secretary, U.S. Department of Transportation, 1991-June 1992; Administrator, Federal Aviation Administration, 1989-91; retired from U.S. Navy as Admiral in 1989. Age 62.	
David Lasky	President of Curtiss-Wright Corporation since May 1993; formerly Senior Vice President, General Counsel and Secretary of the Corporation. Age 62.	1993
William W. Sihler	Professor of Business Administration, Darden Graduate School of Business Administration, University of Virginia. Age 57.	1991
J. McLain Stewart	Director, McKinsey & Company, Management Consultants. Age 78.	1989

The following table sets forth information concerning the ownership of common stock of the Corporation by each director and nominee, each of the executive officers named in the Summary Compensation Table below and all directors and executive officers as a group, as of March 10, 1995. Except as noted in the first footnote to this table, the shares were owned directly and the owner had the sole voting and investment power in respect thereof. None of those individuals owned any common stock of Unitrin, Inc., Argonaut Group, Inc., or Teledyne, Inc. (For information in respect of the relationship among Unitrin, Inc., Argonaut Group, Inc., Teledyne, Inc. and the Corporation, see pages 18 and 19.)

Name of Beneficial Owner	Number of Shares Beneficially Owned	% of Outstanding Common Stock
Thomas R. Berner	485 a	b
John S. Bull	250	b
James B. Busey, IV	0	b
David Lasky	36,541 c	b
Robert E. Mutch	9,750 d	b
Gerald Nachman	22,686 e	b
William W. Sihler	200	b
J. McLain Stewart	0	b
Dana M. Taylor, Jr.	5,350 f	b
George J. Yohrling	6,186 g	b
Directors and Executive Officers as a group (13 persons)	81,448	1%
=====		

**Note:**

a Includes 190 shares owned by Nancy Berner, wife of Mr. Berner. Mr. Berner denies that he is the beneficial owner of such shares.

b Less than one percent

c Includes right to purchase 12,900 shares through the exercise of stock options.

d Includes right to purchase 6,500 shares through the exercise of stock options.

e Includes right to purchase 6,900 shares through the exercise of stock options.

f Includes right to purchase 3,400 shares through the exercise of stock options.

g Includes right to purchase 3,060 shares through the exercise of stock options.

## **OPERATION OF BOARD OF DIRECTORS AND COMMITTEES**

During 1994 the Board of Directors held five meetings. All of the Directors attended at least 75% of the aggregate of all meetings in 1994 of the Board of Directors and Committees on which they served.

The Audit Committee of the Board of Directors, presently consisting of Messrs. Thomas R. Berner, John S. Bull, and William W. Sihler, met two times during 1994. The Committee's functions include the following: making recommendations to the Board as to the nomination of independent accountants for appointment by the stockholders; reviewing annual financial statements of the Corporation prior to their publication; reviewing the report by the independent accountants concerning the prior year's audit and management's response thereto; and consulting with the independent accountants and management concerning internal accounting controls.

The Executive Compensation Committee, presently consisting of Messrs. Thomas R. Berner, John S. Bull and J. McLain Stewart, met three times during 1994. This Committee reviews compensation of elected officers prior to submission to the Board; establishes specific awards to be made to individuals under the Corporation's Incentive Compensation, Stock Option and Restricted Stock Purchase Plans; and reviews the establishment and/or amendment of executive compensation plans, including the Employees' Savings and Investment Plan.

The Nominating Committee, presently consisting of Messrs. John S. Bull and J. McLain Stewart, met once in 1994. Its responsibilities include the following: (i) recommending to the Board of Directors nominees for election as Directors; (ii) establishing procedures for identifying candidates for the Board and periodically reviewing potential candidates; and (iii) recommending to the Board criteria for Board membership.

Any stockholder may recommend nominees to the Committee for consideration by writing to the Secretary of the Corporation. Such submission should include the full name and address of each proposed nominee, a statement of his or her business experience and qualifications and a written statement from the proposed nominee consenting to his or her nomination and agreeing to serve if elected.

## **INDEPENDENT ACCOUNTANTS**

The Board of Directors has nominated the firm of Price Waterhouse for appointment by the stockholders as independent accountants for the purpose of auditing and reporting upon the financial statements of the Corporation for its fiscal year ending December 31, 1995, subject to the approval of its appointment by stockholders at the Annual Meeting. The firm of Price Waterhouse was engaged on March 19, 1992 and served in this capacity for the Corporation through the fiscal year ended December 31, 1994. The selection of Price Waterhouse to serve as independent accountants of the Corporation was based upon a recommendation by the Audit Committee of the Board of Directors and was approved by the full Board. Representatives of Price Waterhouse are expected to be present at the Annual Meeting of Stockholders to make such statements and answer such questions as are appropriate.

If the stockholders fail to so appoint Price Waterhouse, the Board of Directors, pursuant to the By-Laws of the Corporation, will appoint other independent accountants to perform such duties for the current fiscal year. It is not contemplated that such appointment of other independent accountants would be submitted to the stockholders for ratification. The appointment of independent accountants to serve with respect to the year 1996 would be acted upon by the stockholders at their Annual Meeting early in that year.

## EXECUTIVE COMPENSATION

### Report of Executive Compensation Committee on Executive Compensation

The Executive Compensation Committee (the "Committee") of the Board of Directors is responsible for the administration of the executive compensation program of the Corporation. The Committee is composed of three non-employee Directors, who are not eligible to participate in the Corporation's compensation plans for employees.

In 1994 the compensation of the executive officers of the Corporation consisted of salary, cash awards under the Modified Incentive Compensation Plan (the "I.C. Plan") of the Corporation, and stock options pursuant to the Corporation's amended 1985 Stock Option Plan. The levels of these compensation elements are arrived at through consideration of a number of objective and subjective factors. Salaries are reviewed by the Committee, generally annually, largely on the basis of individual performance and contributions to the Corporation. The recommendations of the Committee as to salary adjustments are acted upon by the Board. The maximum amount available each year for awards under the I.C. Plan is based solely on a formula tied to the earnings of the Corporation as a whole (i.e., the sum of 12% of the excess over \$3,000,000 of consolidated net earnings (after taxes and before deducting such 12% amount) of the Corporation and its subsidiaries for each of the four consecutive years immediately preceding the year in which the current award is to be made, less the aggregate amount of the awards made during the three consecutive years immediately preceding the year in which the current award is to be made). Stock options are offered to officers and key employees to provide additional motivation to work toward increasing the value of the Corporation.

In determining Mr. Lasky's salary the Committee took into account specific measures of performance, including operating income, return on net worth, and operating cash flow, both actual and budgeted and forecasted for the Corporation for the first quarter of 1994 as well as for full year 1993. The Committee also took into consideration various indicators of corporate performance in making an award to Mr. Lasky under the I.C. Plan. In awarding stock options to Mr. Lasky, the Committee considered Mr. Lasky's efforts to implement strategic planning methods to develop and grow the Corporation's business. Also considered were a number of objective financial measures of corporate performance.

With respect to considering the increase of salaries of its other executive officers the Committee considered each person's years of service and total compensation received. The Committee then considered schedules showing operating income, return on net worth and operating cash flow, actual, budgeted and forecasted, of each of the Corporation's facilities and of the Corporation as a whole. At the same time, the Committee took into account the relationship of the compensation of the Corporation's executive officers to the compensation of individuals occupying comparable positions in other organizations of a similar size and nature, with a view to ensuring that executives are appropriately compensated, properly motivated and, where desirable, are retained in the employment of the Corporation. The Committee also considered factors relating to the performance of the individual officers. In making awards to its executive officers under the I.C. Plan, the Committee took into consideration the individual contributions each made to the success of the Corporation, through personal ability, industry, loyalty and service pursuant to the provisions of the I.C. Plan. The Board in turn has reviewed and approved such awards.

In awarding stock options to its key employees and executive officers the Committee considered the effect such persons' efforts could have on the growth of the Corporation. In determining the size of such awards, the Committee considered the previously expressed views of its compensation consultant, who had advised that awards of the size granted under the Stock Option Plan were fair and reasonable and consistent with corresponding awards made by other corporations.

John S. Bull, Chairman Thomas R. Berner J. McLain Stewart

**SUMMARY COMPENSATION TABLE**

The following table contains information concerning the five most highly compensated executive officers of the Corporation.

(a) Name and Principal Position	Annual Compensation			Long Term Awards		
	(b) Year	(c) Salary <sup>5</sup>	(d) Bonus <sup>6</sup>	(f) Restricted Stock Awards <sup>7</sup>	(g) Securities Underlying Options	(i) All Other Compensation <sup>8</sup>
David Lasky, President	1994	\$311,000	\$183,500		7,500	\$10,031
	1993	\$284,000	\$158,500		5,400	\$15,976
	1992	\$250,500	\$158,500			\$15,147
Gerald Nachman, 1	1994	\$264,000	\$ 93,250		3,700	\$ 8,252
	1993	\$253,000	\$108,250		3,200	\$13,762
	1992	\$241,000	\$108,250			\$13,472
Robert E. Mutch 2	1994	\$180,200	\$ 64,000		3,500	\$ 8,629
	1993	\$171,000	\$ 67,000		3,000	\$ 6,721
	1992	\$160,500	\$ 67,000			\$10,952
Dana M. Taylor, Jr., 3	1994	\$162,615	\$ 30,000		1,800	\$ 6,666
	1993	\$154,115	\$ 30,000		1,600	\$ 9,234
George J. Yohrling 4	1994	\$159,600	\$ 49,300		1,710	\$ 4,545
	1993	\$152,000	\$ 55,000		1,350	\$ 6,962
	1992	\$150,000	\$ 55,000			\$ 6,008

Footnote on next Page



Footnote to Preceding Page

- 1 Executive V.P. of Curtiss-Wright Corp; President, Metal Improvement Company
- 2 Executive V.P. of Curtiss-Wright Corp.; President, Curtiss-Wright Flight Systems, Inc. and Curtiss-Wright Flight Systems/Shelby, Inc.
- 3 General Counsel & Secretary
- 4 V.P. of Curtiss-Wright Corp.; Sr. V.P., Curtiss-Wright Flight Systems / Shelby, Inc.
- 5 Includes salaries and amounts deferred under the Corporation's Savings and Investment Plan

6 Includes portions paid in 1992, 1993 and 1994 of deferred bonus installments awarded in 1992 provided officer satisfied certain conditions, including continued service with the corporation. Messrs. Lasky, Nachman and Mutch received \$13,500, \$8,250 and \$7,000 respectively in each year. Mr Taylor received \$5,000 in 1992 and 1993 and \$125 in 1994 and Mr Yohrling received \$5,000 in 1992 and 1993 and \$4,250 in 1994.

7 Mr. Lasky holds 1,200 shares of restricted common stock and Mr. Nachman holds 150 shares which are valued at \$43,650 and \$5,456, respectively, based upon the closing market price at December 31, 1994. These shares however do not have a current realizable value since they were purchased subject to restrictions against sale, transfer or pledge and are subject to rights of repurchase for various periods of at least three years from the date of grant. Holders of restricted stock receive dividends at the same time and at the same rate as other common stock owners.

8 This consists of the dollar value of insurance premiums paid by the Corporation during the covered fiscal year for term life insurance and contributions by the Corporation which have become vested pursuant to the Corporation's Employees' Savings Plan made to September 1, 1994 at which time the Plan was modified and contributions were no longer made by the Corporation.

**OPTIONS GRANTED IN LAST FISCAL YEAR  
PURSUANT TO THE CORPORATION'S AMENDED 1985 STOCK OPTION PLAN**

Name	Shares Covered by Options Granted 1	% of Total Option Granted to Employees in 1994	Exercise Price per Share	Expiration Date	Grant Date Present Value 2
D. Lasky	7,500	14.5%	\$36.00	Nov. 15, 2004	\$83,925
G. Nachman	3,700	7.1	36.00	Nov. 15, 2004	41,403
R. Mutch	3,500	6.7	36.00	Nov. 15, 2004	39,165
D. Taylor	1,800	3.4	36.00	Nov. 15, 2004	20,142
G. Yohrling	1,710	3.3	36.00	Nov. 15, 2004	19,134

**AGGREGATED OPTION/EXERCISES IN LAST FISCAL  
YEAR AND FISCAL YEAR-END OPTION VALUES**

(a) Name	(b) Shares Acquired on Exercise	(c) \$ Value Realized	(d) No. of Securities Underlying Unexercised Options at Fiscal Year-End	(e) Value of Unexercised In-the-Money Options at Fiscal Year-End 3
			Exercisable / Unexercisable	Exercisable / Unexercisable
D. Lasky	0	0	1,800 / 11,100	\$6,408 / \$39,516
G. Nachman	0	0	1,067 / 5,834	3,798 / 20,769
R. Mutch	0	0	1,000 / 5,500	3,560 / 19,580
D. Taylor	0	0	533 / 2,866	1,897 / 10,203
G. Yohrling	0	0	450 / 2,610	1,602 / 9,292

1 Options were granted with an exercise price of 100% of the market price on the date of grant. The options are exercisable to the extent of one third of the total number of shares covered beginning on the first anniversary of the grant, two thirds from the second anniversary and in full after the third anniversary. The options are not transferrable other than by will or by the laws of descent and distribution. If the optionee terminates his or her employment (other than by reason of retirement) the option expires upon such event.

2 These values were calculated using the Black-Scholes option pricing model. The Black-scholes model is a complicated mathematical formula which is widely used and accepted for valuing traded stock options. The model is premised on immediate exercisability and transferability of the options. This is not true for the Corporation's options granted to executive officers and other Employees. Therefore, the values shown are theoretical and are not intended to reflect the actual values the recipients may eventually realize. Any ultimate value will depend on the market value of the Corporation's stock at a future date. In addition to the stock price at time of grant and the exercise price, which are identical, and the ten-year term of each option, the following assumptions were used to calculate the values shown: expected dividend yield (2.8 percent - the current yield of the Corporation's common shares on the grant date), expected stock price volatility (.1039 - the most recent volatility for the month-end stock prices of the Corporation's common shares for the 12 months of the most recently completed calendar year), and risk-free rate of return (8.0 percent - equal to the yield on a 10 year U.S. Treasury bond on the option grant date).

3 Calculated by determining the difference between the fair market value of the Common Stock underlying the options on December 31, 1994 (\$36.00, the closing price on the New York Stock Exchange Composite Transactions) and the exercise price of the option date.

### **Termination of Employment**

Pursuant to a policy designed to retain key employees established by the Corporation's Board of Directors in 1977, the Corporation has agreements with Messrs. Lasky, Nachman, Mutch, Taylor and Yohrling which provide for the payment by the Corporation of severance pay, in the case of involuntary termination of employment other than for cause, in an amount equal to one year's base salary at the time of termination, as well as the continued availability of certain employee benefits, for a period of one year following termination. The agreements provide that such severance pay and benefits also would be made available in the case of voluntary retirement or termination of employment which is the direct result of a change in the terms or conditions of employment, including a reduction in compensation or in job responsibilities. At the option of the employee, said amount of severance pay may be paid over the two year period following such termination, in which case such employee benefits would continue in effect for the same period. Under the agreements, the payment of severance pay, and the availability of benefits, is contingent upon a number of conditions, including the employee's performance of his agreements with respect to providing consulting services and not entering into competition with the Corporation.

### **Retirement Plan**

The Corporation's Retirement Plan is a tax qualified, defined benefit, trustee plan. On September 1, 1994 the Corporation amended this plan so as, among other changes, to modify the benefits payable and to make the Plan non-contributory. At the same time, the Retirement Plans of the Corporation's Metal Improvement Company, Inc. and Curtiss-Wright Flight Systems/Shelby Inc. subsidiaries were merged into the Corporation's Retirement Plan.

Prior to the September 1, 1994 actions, benefits were provided in two parts. Part one benefits were those directly related to total annual compensation (i.e., base salary plus, beginning July 1, 1970, incentive compensation paid to the employee in the prior calendar year) on which employee contributions (of 3% of annual compensation in excess of \$3,600) were based. Part two benefits were those related to average annual compensation for the highest five consecutive years in the ten years prior to retirement. The following tables illustrate the estimated aggregate amount of annual benefits which will be payable on retirement at age 65 to an employee in the compensation classification specified, computed on a straight life annuity basis and under various assumptions as to compensation and years of contributory participation in the program, attributable to service prior to September 1, 1994.

**Part I BENEFIT**

Assumed Annual Compensation for Period of Contributory Participation	Resultant Annual Benefit Assuming Participation for				
	15 years	20 years	25 years	30 years	35 years
\$150,000	\$22,500	\$30,000	\$37,500	\$45,000	\$52,500
200,000	30,000	40,000	50,000	60,000	70,000
250,000	37,500	50,000	62,500	75,000	87,500
300,000	45,000	60,000	75,000	90,000	105,000
350,000	52,500	70,000	87,500	105,000	122,500
400,000	60,000	80,000	100,000	120,000	140,000
450,000	67,500	90,000	112,500	135,000	157,500
500,000	75,000	100,000	125,000	150,000	175,000
550,000	82,500	110,000	137,500	165,000	192,500
600,000	90,000	120,000	150,000	180,000	210,000
650,000	97,500	130,000	162,500	195,000	227,500

**Part II BENEFIT**

Assumed Average Annual Compensation Highest 5 Consecutive Years in Last 10 Years Preceding Retirement	Resultant Annual Benefit at Age 65 Assuming 15 or More Years of Service
\$150,000	\$43,920
200,000	58,920
250,000	73,920
300,000	88,920
350,000	103,920
400,000	118,920
450,000	133,920
500,000	148,920
550,000	163,920
600,000	178,920
650,000	193,920

An employee whose compensation fell within the levels set forth on the above tables would receive the appropriate amounts of both the Part I and Part II Benefits shown above on his retirement by reason of his employment prior to September 1, 1994.

The Plan as amended on September 1, 1994 provides benefits computed prospectively under a formula which is integrated with social security and which provides for an annual benefit at age 65 equal to 1% of the employee's five-year final average compensation up to the social security covered compensation (currently \$25,920) times years of service, plus 1.5% of compensation in excess of covered compensation times years of service. The amended Plan provides that employees are to receive their benefit accrued to September 1, 1994, adjusted for increases in compensation between that date and retirement or other termination, together with the benefit accruing under the new Plan. The amended Plan also provides that an employee age 55 or older on the date of the amendment with five years of contributory service as of August 31, 1994 shall not receive a lesser benefit than he would have received under the Plan as in effect prior to the amendment, adjusted for the value of contributions that would have been made subsequent to September 1, 1994. The following table illustrates the estimated aggregate amount of annual benefits attributable to service on or after September 1, 1994 under the new formula that will be payable on retirement at age 65 to an employee in the compensation classification specified, under various assumptions as to compensation and years of service.

**YEARS OF SERVICE**

Compensation	10	15	20	25	30	35
\$150,000	\$ 21,204	\$ 31,806	\$ 42,408	\$ 53,010	\$ 63,612	\$ 74,214
200,000	28,704	43,056	57,408	71,760	86,112	100,464
250,000	36,204	54,306	72,408	90,510	108,612	126,714
300,000	43,704	65,556	87,408	109,260	131,112	152,964
350,000	51,204	76,806	102,408	128,010	153,612	179,214
400,000	58,704	88,056	117,408	146,760	176,112	205,464
450,000	66,204	99,306	132,408	165,510	198,612	231,714
500,000	73,704	110,556	147,408	184,260	221,112	257,964
550,000	81,204	121,806	162,408	203,010	243,612	284,214

For all above charts, the current compensation covered by the Retirement Plan is substantially equivalent to the cash compensation reported under the headings entitled "Salary" and "Bonus" on page 7 of this Proxy Statement for the executive officers listed there.

In addition, a cash balance component was added to the Plan on September 1, 1994 under which during each year of participation in the Plan a participant earns a pay-based credit equal to 3% of his or her compensation. The employee's account balance is credited with interest annually.

Under the Employee Retirement Income Security Act of 1974 ("ERISA"), a benefit is payable to the spouse of each employee commencing with his death, unless a contrary election has been effectively made by the employee. In practice, many employees do make such election and, as a consequence, the amount actually received on retirement by such employees would be lower than reflected by the above tables. The Internal Revenue Code provides that effective January 1, 1995 the maximum allowable annual benefit under the Retirement Plan is \$120,000 (adjusted for each year of employment beyond age 65) and the maximum allowable annual compensation that may be included in the calculation of a benefit under the Retirement Plan is \$150,000. These limits are substantially lower than the maximum amounts shown above. Accordingly, the Corporation maintains a Retirement Benefits Restoration Plan (the "Restoration Plan") whereby all participants in the Retirement Plan whose benefits or compensation under the Retirement Plan would exceed the limitations imposed by the Internal Revenue Code will receive a supplemental retirement benefit equal to the excess of the benefit which would have been payable to them under the Retirement Plan but for said limitations, over the amount payable under the Retirement Plan, given said limitations. Such supplemental benefit is not funded. On September 1, 1994 the Corporation also merged the Retirement Benefits Restoration Plans of the Corporation's Metal Improvement Company and Curtiss-Wright Flight Systems/Shelby, Inc. subsidiaries into the Curtiss-Wright Retirement Benefits Restoration Plan. The amounts set forth in the preceding table include amounts payable pursuant to the Restoration Plan. Benefit amounts listed in the foregoing table are not subject to reduction for any social security benefits to which Plan participants may be entitled. Credited years of service under the Retirement Plan at December 31, 1994 are as follows:

David Lasky, 32 years; Gerald Nachman, 20 years; Robert E. Mutch, 16 years; Dana M. Taylor, 21 years; and George Yohrling, 18 years.

### **COMPENSATION OF DIRECTORS**

Currently all Directors who are not also employees of the Corporation receive an annual director's fee of \$20,000 except Mr. Brinsfield who receives a retainer of \$100,000 per annum, payable in equal quarterly installments, in addition to the regular compensation paid non-employee Directors of the Corporation. Each non-employee Director receives a fee of \$900 for every Board and Committee meeting attended. For each Director who is not an employee, the Corporation provides group term life insurance coverage of \$50,000.

### **PERFORMANCE GRAPH**

Set forth below is a graph comparing the cumulative total stockholder returns (assuming the reinvestment of dividends) on common stock of the Corporation with such returns of companies listed on the Russell 2000 Index and the S & P Aerospace/Defense Index. The graph assumes \$100 invested on January 1, 1990 in stock of the Corporation and the companies on each of these indices.

## COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

DATE	Curtiss-Wright Corp.		Peer Group	Russell 2000
12/29/89	0.00	100.00	100.00	100.00
12/31/90	-23.14	76.86	103.65	93.55
12/31/91	3.44	103.44	125.04	136.63
12/31/92	8.35	108.35	133.42	161.81
12/31/93	30.01	130.01	182.99	192.38
12/30/94	35.19	135.19	193.62	188.87

### PROPOSAL TO APPROVE THE 1995 LONG-TERM INCENTIVE PLAN

The Company's 1995 Long-Term Incentive Plan (the "Plan") was adopted by the Board of Directors on February 7, 1995. A copy of the Plan is attached hereto as Exhibit A, and the following summary description is qualified in its entirety by reference to the Plan. The purposes of the Plan are to advance the long-term interests of the Company by motivating key employees with the opportunity to obtain an equity interest in the Company, and to attract and retain key employees upon whose judgment the success of the Company largely depends. Under the terms of the Plan, the Executive Compensation Committee of the Board of Directors may grant stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance shares, and/or performance units to key employees of the Company.

The Plan will be effective as of May 5, 1995, subject to stockholder approval, and will remain in effect for ten years after the date of shareholder approval. This Plan will replace both the 1985 Stock Option Plan (which expired on February 13, 1995) and the 1989 Restricted Stock Option Plan (which will be terminated by passage of this Plan).



## **NUMBER OF SHARES**

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The Plan provides that no more than 500,000 shares of the Company's Common Stock will be available in the aggregate for the grant of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance shares, and/or performance units from time to time. The total number of shares available for grant in each year shall be one percent of the shares outstanding at the beginning of that year, although that number may be increased by the number of shares available but unused in prior years, and by the number of shares covered by previously terminated or forfeited awards. No more than 25,000 shares of Common Stock subject to the Plan may be awarded in any year to any participant in the Plan.

These numbers are subject to adjustment to reflect certain extraordinary distributions of cash or shares of stock and certain stock changes such as stock dividends, stock splits and share exchanges. Shares of Common Stock available for issuance under the Plan may be authorized but unissued treasury shares.

## **ADMINISTRATION; ELIGIBILITY**

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The Plan will be administered by the Executive Compensation Committee of the Board of Directors of the Company (the "Committee") composed of not less than three directors, each of whom shall be a "disinterested person" as that term is used and defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended. Members of the Committee will be appointed by and will serve at the pleasure of the Board of Directors. The initial members of Committee are Messrs. Berner, Bull and Stewart. The selection of the participants in the Plan and the extent of the participation of each will be determined by the Committee. Such participants will be employees of the Company and its subsidiaries whose performance, as determined by the Committee, can have an effect on the growth, profitability and success of the Company.

## **STOCK OPTIONS**

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The Committee may grant a participant the option to purchase shares of Common Stock of the Company through incentive stock options qualified under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or options not qualified under Section 422 of the Code ("non-qualified stock options") or a combination of both. Incentive and non-qualified stock options must be granted at not less than 100% of the fair market value of the underlying Common Stock on the date the option is granted, except for up to 25% of the shares which may be granted in the form of non-qualified stock options priced at no less than 50% of the fair market value of the shares of Common Stock on the date of grant. Upon exercise, the option price is to be paid in full in cash, in shares of Common Stock, in such other consideration as the Committee may deem appropriate, or through an arrangement with a broker. Options will be exercisable in whole or in such installments and at such times as may be determined by the Committee, provided that no incentive stock option may be exercisable more than ten years after the date of its grant.

## **STOCK APPRECIATION RIGHTS**

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The Committee may grant key employees the right to receive a payment equal to the appreciation in market value of a stated number of shares of Common Stock from the date of the agreement granting the stock appreciation right (the "base price") to its date of exercise. These stock appreciation rights may or may not be granted in tandem with stock options.

Stock appreciation rights granted in tandem with stock options will be exercisable only to the extent the related stock option is exercisable and upon exercise of such a tandem stock appreciation right, the related stock option shall be canceled to the extent of the number of stock appreciation rights exercised and such shares will not thereafter be eligible for grant under the Plan. The base price for a tandem stock appreciation right will be determined by the Committee, but it must not be less than the exercise price of the related stock option.

Free-standing stock appreciation rights will be exercisable at the time or times determined by the Committee. The base price for a free-standing stock appreciation right will be determined by the Committee, but it must not be less than the fair market value of the Common Stock on the date of the grant of the stock appreciation right.

## **LIMITED STOCK APPRECIATION RIGHTS**

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The Committee may grant key employees the right to receive a payment in cash equal to the appreciation over the base price by the greater of either the highest price of shares of Common Stock paid in connection with a change in control or the highest price of the shares of Common Stock during the 60 days prior to the change in control. These limited stock appreciation rights may be granted at the time the option or stock appreciation right is granted or at any time thereafter. Limited stock appreciation rights are exercisable in full for a period of seven months following the date of a change in control.

If limited stock appreciation rights are exercised, any stock options and stock appreciation rights to which they are attached can no longer be exercised. If the stock options or stock appreciation rights are exercised or terminated, the limited stock appreciation rights are simultaneously canceled.

## **RESTRICTED STOCK AWARDS**

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The Plan permits the Committee to award restricted stock to key employees of the Company (without payment of consideration by the participant) with such terms, conditions, restrictions or limitations as the Committee deems appropriate. While the restrictions are in effect, the Committee may permit a participant the right to vote shares and the right to receive any dividends. Restricted stock awards may be evidenced by stock certificates, book-entry registrations or in such other manner as the Committee determines.

## **PERFORMANCE SHARES AND PERFORMANCE UNITS**

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The Plan permits the Committee to grant performance shares and performance units to key employees, which will entitle the participant to convert the performance shares or performance units into shares of Common Stock or into cash or into a combination thereof, as determined by the Committee, if pre-determined performance targets or goals are met. Performance goals will include one or more of the following: net earnings, operating income, cash flow, return on equity, return on capital employed, return on assets, and total stockholder return. The Committee will determine the length of the performance period.

Award payments made in cash rather than by the issuance of shares shall not result in additional shares being available for reissuance under the Plan. No participant shall receive a cash award of more than \$500,000 in any plan year.

## **EMPLOYMENT; TRANSFERABILITY**

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The Committee is authorized under the Plan to adopt policies regarding the entitlement of participants who cease to be employed by the Company because of death, disability, resignation, termination or retirement. These policies may vary depending upon the specific circumstances and the individual involved.

The rights and interests of a participant under the Plan, including his or her rights under any award issued or granted under the Plan, may not be assigned, sold, encumbered or transferred except by will or the laws of descent and distribution in the event of the death of the participant.

## **AMENDMENTS**

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The Committee may suspend, reinstate and terminate the Plan or any portion thereof at any time. In addition, the Committee may, from time to time, amend the Plan in any manner, but may not without stockholder approval adopt any amendment which would (a) increase the number of shares of Common Stock which may be issued under the Plan (except in the event of certain extraordinary distributions of cash or shares of stock, as described in the Plan), or (b) change the employees or class of employees eligible to participate in the Plan.

## **FEDERAL INCOME TAX CONSEQUENCES**

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The following is a summary of the Federal income tax treatment of the incentive stock options, non-qualified stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance shares and performance units that may be granted under the Plan based upon the current provisions of the Code and regulations promulgated thereunder.

**INCENTIVE STOCK OPTIONS.** Incentive stock options under the Plan are intended to meet the requirements of Section 422 of the Code. Under this section of the Code, if an option holder acquires stock upon the exercise of an option, no income will result to the option holder and the Company will be allowed no deduction as a result of such exercise if the following conditions are met: (a) at all times during the period beginning with the date of the grant of the option and ending on the date three months before the date of such exercise, the option holder is an employee of the Company or of a subsidiary; and (b) the option holder makes no disposition of the stock within two years from the date the option is granted nor within one year after the option is exercised. In the event of a sale of such stock by the option holder after compliance with these conditions, any gain realized over the price paid for the stock will ordinarily be treated as a long-term capital gain, and any loss will ordinarily be treated as a long-term capital loss, in the year of sale. The exercise of an incentive stock option may result in alternative minimum tax liability to the option holder. If the option holder fails to comply with the employment or holding period requirements discussed above, he will be treated as having received compensation taxable as ordinary income or having received a capital gain in accordance with the provisions of the Code. If the option holder is treated as having received compensation because of this failure to comply with either condition above, an equivalent deduction from income will be allowed to the Company in the same year. - 16 -

**NON-QUALIFIED STOCK OPTIONS.** An option holder who exercises a non-qualified stock option will generally realize compensation taxable as ordinary income in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise, and the Company will be entitled to a deduction from income in the same amount. The option holder's basis in such shares will be the fair market value on the date exercised, and the long-term or short-term capital gain or loss, depending on the holding period of the shares, will be recognized in the year of sale.

**STOCK APPRECIATION RIGHTS.** The grant of a stock appreciation right will not result in tax consequences to the Company or to an option holder. An option holder who exercises a stock appreciation right will realize compensation taxable as ordinary income in an amount equal to the cash or the fair market value of the shares received on the date of exercise, and the Company will be entitled to a deduction in the same amount.

If an employee allows a stock appreciation right to expire, otherwise than as a result of exercising the related option, the Internal Revenue Service may contend that the employee will have taxable income in the year of expiration equal to the amount of cash or the fair market value of stock which he would have received if he had exercised his stock appreciation right immediately before it expired. In addition, under Treasury Regulations governing incentive stock options, a stock appreciation right with respect to an incentive stock option must be granted at the same time the incentive stock option is granted in order to ensure that the incentive stock option remains qualified as such.

**LIMITED STOCK APPRECIATION RIGHTS.** The grant of a limited stock appreciation right will not result in tax consequences to the Company or to a participant. A participant who exercises a limited stock appreciation right will realize compensation taxable as ordinary income in an amount equal to the cash or the fair market value of the shares received on the date of exercise, and the Company will be entitled to a deduction in the same amount. A participant who does not exercise at the time of a change in control and allows the limited stock appreciation rights to lapse could be taxed as though exercise had occurred at either of those two dates.

**RESTRICTED STOCK AWARDS.** Restricted stock awards granted under the Plan will constitute taxable income to the recipient, and a deductible expense to the Company, in the year in which the restrictions lapse unless the participant elects to recognize income in the year the award is made. Unless such an election is made, the amount of the taxable income and corresponding deduction will be equal to the excess of the fair market value of the stock on the date the restrictions lapse over the amount, if any, paid for such stock. The Company is also allowed a compensation deduction for dividends paid to participants (provided they have not elected to recognize income at the time of the award) on restricted stock while the restrictions remain in force.

**PERFORMANCE SHARES AND PERFORMANCE UNITS.** Performance shares and performance units awarded under the Plan will not constitute a taxable event to the recipient until such time as the recipient actually receives shares of Common Stock or cash related to such award. The amount of taxable income will be equal to the amount of cash received or the fair market value of stock received at such time. The Company will be entitled to a compensation deduction in the same year.

**RECOMMENDATION OF THE BOARD OF DIRECTORS; VOTE REQUIRED**

The Board of Directors recommends approval of the Plan.

**SECURITY OWNERSHIP AND TRANSACTIONS WITH CERTAIN BENEFICIAL**

**OWNERS**

The following information is given with respect to the persons who, to the knowledge of the Corporation, own beneficially more than 5% of any class of the voting securities of the Corporation outstanding as of March 10, 1995.

Title of Class	Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Common Stock	Unitrin, Inc. One East Wacker Drive Chicago, Illinois 60601	2,191,200 shares Indirect	43.3%
Common Stock	Argonaut Group, Inc. 1800 Avenue of the Stars Los Angeles, Cal. 90067	411,100 shares Indirect	8.1%
Common Stock	GAMCO Investors, Inc. and Gabelli Funds, Inc. Corporate Center at Rye Rye, NY 10580	540,720 shares Direct 189,900 shares Direct	10.69%  3.75%
Common Stock	Quest Advisory Corp. and Quest Management Co. 1414 Ave. of the Americas New York, NY 10019	326,400 shares Direct 21,000 shares Direct	6.45%  0.42%

A Schedule 13D dated April 6, 1990 of Unitrin, Inc. ("Unitrin") and two of its subsidiaries reported: (i) ownership by those subsidiaries of the 2,191,200 shares of common stock shown above; (ii) that the stock had been acquired for investment; (iii) that each of the subsidiaries shares with Unitrin voting and dispositive power with respect to the stock owned by that subsidiary and (iv) that Unitrin might be deemed a beneficial owner of this stock. A Teledyne, Inc. ("Teledyne") Schedule 13D amendment dated April 6, 1990 indicated that the Unitrin subsidiaries owning common stock of the Corporation had been Teledyne subsidiaries but that as a result of the spin-off by Teledyne to its stockholders of the outstanding stock of Unitrin, those companies had ceased to be Teledyne subsidiaries, effective March 31, 1990. The amendment also stated that Teledyne may no longer be deemed to be a beneficial owner of the common stock of the Corporation owned by the Unitrin subsidiaries. According to Teledyne's proxy statement dated March 18, 1994 three of the seven Directors of Unitrin are Directors of Teledyne. The Teledyne proxy statement also indicates that Directors and executive officers of Teledyne own beneficially in the aggregate over 20% of the outstanding common stock of Unitrin.

A Schedule 13D dated October 9, 1986 of Argonaut Group, Inc. ("Argonaut") and three of its subsidiaries reported: (i) ownership by those subsidiaries of the 411,100 shares of common stock shown above; (ii) that the stock had been acquired for investment; (iii) that each of those subsidiaries shares with Argonaut voting and dispositive power with respect to the stock owned by that subsidiary and (iv) that Argonaut might be deemed a beneficial owner of this stock. - 18 -

A Teledyne Schedule 13D amendment dated October 9, 1986 also indicated that the Argonaut subsidiaries owning common stock of the Corporation had been Teledyne subsidiaries but that as a result of the spin-off by Teledyne to its stockholders of the outstanding stock of Argonaut, those companies had ceased to be Teledyne subsidiaries, effective September 30, 1986. The amendment also stated that Teledyne may no longer be deemed to be a beneficial owner of the common stock of the Corporation owned by the Argonaut subsidiaries. Teledyne's proxy statement dated March 18, 1994 indicates that four of the five Argonaut Directors are also Directors of Teledyne and that Directors and executive officers of Teledyne beneficially own in the aggregate more than 20% of Argonaut's outstanding common stock. Finally, the Teledyne proxy statement states that three Directors of Unitrin are also Directors of Argonaut.

Under the circumstances outlined above, Teledyne may be deemed to be in "control" of the Corporation (as the term control is defined in the regulations promulgated pursuant to the Securities Exchange Act of 1934). However, to date no attempt has been made to obtain representation on the Board of Directors of the Corporation, to direct its management or policies or otherwise to exercise "control" over it.

Since January 1, 1994 the Corporation and its subsidiaries have engaged in various transactions with subsidiaries of Teledyne in the ordinary course of business, each of which was either in an amount of less than \$60,000 or was awarded on the basis of competitive bidding.

In their Schedule 13D as amended through July 22, 1993, GAMCO Investors, Inc. ("GAMCO") and Gabelli Funds, Inc. ("GFI") have reported that (i) they are investment advisers and beneficially own the shares set forth in the above table but have no economic interest in the shares (such interest presumably residing in their investment advisory clients); (ii) the shares were purchased for investment; (iii) GAMCO exercises sole voting and dispositive power over 462,720 shares, and sole dispositive power and no voting power over the balance, and GFI exercises sole voting and sole dispositive power over 189,900 shares; (iv) GAMCO and GFI were formerly wholly-owned subsidiaries of The Gabelli Group, Inc. ("TGGI") which, effective August 31, 1990, merged into GFI, and GAMCO is a wholly-owned subsidiary of GFI; (v) Mario J. Gabelli ("Gabelli") is the majority stockholder, Chairman of the Board and Chief Executive Officer of GFI, the sole director and Chairman and Chief Executive Officer of GAMCO, and Chief Investment Officer of GAMCO and GFI; and (vi) Gabelli is deemed to have beneficial ownership of the shares beneficially owned by GAMCO and GFI but GAMCO and GFI do not admit that they constitute a "group" in respect of the shares.

A February 10, 1995 amended Schedule 13G filed by Quest and QMC reported that they had increased their beneficial ownership from 240,400 shares to 326,400 shares and from 18,900 shares to 21,000 shares, respectively, of common stock of the Corporation. The amended report stated that Charles M. Royce may be deemed to be a controlling person of Quest and QMC and as such may be deemed to beneficially own the shares of common stock of Curtiss-Wright beneficially owned by Quest and QMC but that he disclaimed beneficial ownership of the shares held by Quest and QMC. The amended report further stated that these shares had been acquired in the ordinary course of business and not for the purposes of control of the Corporation.

## **OTHER MATTERS WHICH MAY BE PRESENTED FOR ACTION AT THE MEETING**

The Board of Directors does not intend to present for action at this Annual Meeting any matter other than those specifically set forth in the Notice of Annual Meeting. If any other matter is properly presented for action at the Meeting, it is the intention of persons named in the proxy to vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by the proxy.

### **PROPOSALS OF STOCKHOLDERS**

Proposals of stockholders intended to be presented at the next Annual Meeting must be received by the Office of the Secretary, Curtiss-Wright Corporation, 1200 Wall Street West, Lyndhurst, New Jersey 07071 no later than November 13, 1995 for inclusion in the Corporation's Proxy Statement and form of proxy relating to that Meeting.

### **PERSONS MAKING THE SOLICITATION**

This solicitation of proxies is made on behalf of the Board of Directors of the Corporation, and the cost thereof will be borne by the Corporation. The Corporation will reimburse brokerage firms and nominees for their expenses in forwarding proxy material to beneficial owners of the stock of the Corporation.

In addition, a number of employees, officers and directors of the Corporation (none of whom will receive any compensation therefore in addition to his regular compensation) may solicit proxies. The solicitation will be made by mail and in addition, the telephone, facsimile, telegrams and personal interviews may be utilized.

#### **By Order of the Board of Directors**

Dana M. Taylor, Jr.  
Secretary

Date: March 13, 1995

**EXHIBIT A**  
**CURTISS-WRIGHT CORPORATION**

**The 1995 Long-Term Incentive Plan**

**SECTION 1. PURPOSES.**

The purposes of the 1995 Curtiss-Wright Long-Term Incentive Plan (the "Plan") are to encourage selected key employees of Curtiss-Wright Corporation (the "Company") to acquire a proprietary and vested interest in the growth and performance of the Company, and to generate an increased incentive to contribute to the Company's future success and prosperity, thereby enhancing the value of the Company for the benefit of stockholders and the ability of the Company to attract and retain individuals of exceptional talent.

**SECTION 2. DEFINITIONS.**

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Award" shall mean any Option, Stock Appreciation Right, Limited Stock Appreciation Right, Restricted Stock Award, Performance Share, Performance Unit, Other Stock Unit Award, or any other right, interest, or option granted pursuant to the provisions of the Plan.
- (b) "Award Agreement" shall mean any written agreement, contract, or other instrument or document evidencing any Award granted hereunder and signed by both the Company and the Participant.
- (c) "Board" shall mean the Board of Directors of the Company.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, including the rules, regulations, and interpretations promulgated thereunder.
- (e) "Committee" shall mean the Executive Compensation Committee of the Board, composed of not less than three directors each of whom is a Disinterested Person.
- (f) "Company" shall mean Curtiss-Wright Corporation.
- (g) "Disinterested Person" shall have the meaning set forth in Rule 16b-3(d)(3) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor definition adopted by the Commission.
- (h) "Dividend Equivalent" shall mean any right granted pursuant to Section 13(i) hereof to receive an equivalent amount of interest or dividends with respect to the number of shares covered by an Award.
- (i) "Employee" shall mean any salaried employee of the Company or its Subsidiaries.
- (j) "Fair Market Value" shall mean, with respect to any property, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.



- (k) "Incentive Stock Option" shall mean an Option granted under Section 6 hereof that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.
- (l) Limited Stock Appreciation Right shall mean a Stock Appreciation Right that can only be exercised in the event of a change in control, according to the definition and provisions of Section 8 of the Plan.
- (m) "Non-qualified Stock Option" shall mean an Option granted to a Participant under Section 6 hereof that is not intended to be an Incentive Stock Option.
- (n) "Option" shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.
- (o) "Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan.
- (p) "Performance Award" shall mean any Award of Performance Shares or Performance Units pursuant to Section 10 hereof.
- (q) "Performance Period" shall mean that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.
- (r) "Performance Share" shall mean any grant pursuant to Section 10 hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.
- (s) "Performance Unit" shall mean any grant pursuant to Section 10 hereof of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.
- (t) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (u) "Restricted Stock" shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.
- (v) "Restricted Stock Award" shall mean an award of Restricted Stock under Section 9 hereof.

(w) "Shares" shall mean shares of the common stock of the Company, \$1.00 par value, and such other securities of the Company as the Committee may from time to time determine.

(x) "Stock Appreciation Right" shall mean any right granted to a Participant pursuant to Section 7 hereof to receive, upon exercise by the Participant,

either, the excess of the Fair Market Value of one Share on the date of exercise

or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, the excess of the Fair Market Value of one Share at any time during a specified period before the date of exercise

over the grant price of the right as specified by the Committee, in its sole discretion, on the date of grant, which shall not be less than the Fair Market Value of one Share on such date. Any payment by the Company in respect of such right may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

(y) "Stockholder Meeting" shall mean the annual meeting of stockholders of the Company held each year.

(z) "Subsidiaries" shall mean any corporation or corporations in which the Company owns directly, or indirectly through subsidiaries, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.

### SECTION 3. ADMINISTRATION.

The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees of the Company to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Award to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; provided, however, that Shares subject to any form of award granted to any individual employee during any calendar year shall not exceed twenty-five thousand (25,000), subject to any adjustment according to the terms of Section 4(b); (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant; (vii) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (viii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any stockholder, and any employee of the Company or its

Subsidiaries. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

#### SECTION 4. SHARES SUBJECT TO THE PLAN.

(a) Subject to adjustment as provided in Section 4(b), the total number of Shares available for grant under the Plan in each calendar year shall be one percent (1.0%) of the total outstanding Shares as of the first day of such year for which the Plan is in effect; provided that such number shall be increased in any year by the number of Shares available for grant hereunder in previous years but not covered by Awards granted hereunder in such years, as well as Shares subject to Awards forfeited or terminated in the manner noted below; and provided further, that no more than five hundred thousand (500,000) Shares shall be cumulatively available for grant under the Plan. In addition, any Shares issued by the Company through the assumption or substitution of outstanding grants from an acquired company shall not reduce the shares available for grants under the Plan. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any Shares subject to any Award granted hereunder are forfeited or such Award otherwise terminates without the issuance of such Shares or of other consideration in lieu of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan.

(b) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, extraordinary cash dividend, or other change in corporate structure affecting the Shares, such adjustment shall be made in the aggregate number of Shares which may be delivered under the Plan, and in the number of Shares subject to outstanding Options granted under the Plan, and in the price or number of Shares subject to Awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, and provided that the number of Shares subject to any Award shall always be a whole number.

#### SECTION 5. ELIGIBILITY.

Any Employee (excluding any member of the Committee) shall be eligible to be selected as a Participant.

#### SECTION 6. STOCK OPTIONS.

Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted to a Participant under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(a) Option Price. The purchase price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that such purchase price in the case of Incentive Stock Options shall not be less than the Fair Market Value of the Share on the date of the grant of the Option. In no event shall the Option Price of any Non-qualified Stock Option be less than 50% of the Fair Market Value of the Shares on the date of grant, and the number of such below-market Options shall be limited to 25% of the Options available for grant in any calendar year.

(b) Option Period. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Incentive Stock Option shall be exercisable after the expiration of ten years from the date the Option is granted.

(c) Exercisability. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant. Unless otherwise determined by the Committee at or subsequent to grant, no Incentive Stock Option shall be exercisable during the year ending on the day before the first anniversary date of the granting of the Incentive Stock Option.

(d) Exercise of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

(e) Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. The Option price shall be payable in full to the Company either: in cash or its equivalent, or by tendering to the Company, or certifying by the Participant to the satisfaction of the Company, previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option price (provided that the Shares which are tendered or certified must have been held by the Participant for at least six (6) months prior to their tender or certification), or by a combination of these methods. The Committee may also allow cashless exercise as permitted under the Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means the Committee determines to be consistent with the Plan's purpose and applicable law.

(f) Incentive Stock Options. In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant which are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or subsidiary of the Company) shall not exceed \$100,000 or, if different, the maximum limitation in effect at the time of grant under Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

#### SECTION 7. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to a Non-qualified Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such Option is granted. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less

than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

#### SECTION 8. LIMITED STOCK APPRECIATION RIGHTS.

Limited Stock Appreciation Rights may be granted hereunder to Participants in addition to or related to any Option or Stock Appreciation Right granted under the Plan. A Limited Stock Appreciation Right may be granted at the time the Option or Stock Appreciation Right is granted or at any time thereafter. Limited Stock Appreciation Rights are exercisable in full for a period of seven months following the date of a Change in Control as defined in Section 11(b).

(a) Amount of Payment. The amount of payment to which a Participant shall be entitled upon the exercise of each Limited Stock Appreciation Right shall be equal to the difference between the Option price of the Shares covered by the related Option or Stock Appreciation Right and the Market Price of such Shares. Market Price is defined to be the greater of (i) the highest price of the Shares paid in connection with a Change in Control and (ii) the highest price of the Shares reflected in the New York Stock Exchange Transactions Report during the 60-day period prior to the Change in Control.

(b) Form of Payment. Payments to Participants upon the exercise of Limited Stock Appreciation Rights shall be made solely in cash.

(c) Effect of Exercise. If Limited Stock Appreciation Rights are exercised, the Options and Stock Appreciation Rights related to them cease to be exercisable. Upon the exercise or termination of the Options or Stock Appreciation Rights, the related Limited Stock Appreciation Rights terminate.

#### SECTION 9. RESTRICTED STOCK.

(a) Issuance. Restricted Stock Awards may be issued hereunder to Participants, for no cash consideration, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

(b) Registration. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

(c) Forfeiture of Restricted Stock Award. Except as otherwise determined by the Committee at the time of grant, upon termination of employment for any reason during the restriction period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by the Company; provided that in the event of a Participant's retirement, permanent disability, other termination of employment or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to such Participant's

shares of Restricted Stock. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the grantee promptly after the period of forfeiture, as determined or modified by the Committee.

#### SECTION 10. PERFORMANCE AWARDS.

Performance Awards, including Performance Shares and Performance Units, may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance standards to be used during any Performance Period shall include measures such as net earnings, operating income, cash flow, return on equity, return on capital employed, return on assets, and total stockholder return. The performance standards selected and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Section 11, Performance Awards will be paid only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis. The maximum cash award paid to any Participant during any plan year shall be no more than five hundred thousand dollars (\$500,000).

#### SECTION 11. CHANGE IN CONTROL.

(a) In order to maintain the Participants' rights in the event of any Change in Control of the Company, as hereinafter defined, the Committee, as constituted before such Change in Control, may, in its sole discretion, as to any Award, either at the time an Award is made hereunder or any time thereafter, take any one or more of the following actions: (i) provide for the acceleration of any time periods relating to the exercise or realization of any such Award so that such Award may be exercised or realized in full on or before a date fixed by the Committee; (ii) provide for the purchase of any such Award, upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (iii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; or (iv) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control. The Committee may, in its discretion, include such further provisions and limitations in any agreement documenting such Awards as it may deem equitable and in the best interests of the Company.

(b) A Change in Control shall be deemed to have occurred for the purposes of the Plan on the date of occurrence of any of the events set forth in clauses

(1), (2) and (3) of this subparagraph;

(1) the date the Company acquires knowledge of the filing under the Exchange Act of a statement on Schedule 13D, or any amendment thereto, relating to a transaction or series of transactions in which any person or group deemed a person under Section 13(d)(3) of the Exchange Act shall have become the beneficial owner, directly or indirectly (with beneficial ownership determined as provided in Rule 13d-3, or any successor rule, under the Exchange Act), of securities of the Company entitling the person or group to 20% or more of all votes to which all shareholders of the Company would be

entitled in the election of Directors were an election held on such date; provided, that any shares held by a person or group who filed or who would have been obligated to file a Schedule 13D or 13G with respect to beneficial ownership of securities of the Company prior to January 1, 1995, any affiliate or associate as of January 1, 1995 of any such person, any beneficiary or any trust or estate included in any such person or group, any member of the family of any such person, and trust or estate (including the trustees or executors thereof) established by or for the benefit of any such person, or any charitable foundation, whether a trust or a corporation (including the trustees and directors thereof) established by or for the benefit of any such person (in each case, an "Existing Shareholder"), shall be excluded from the shares held by any person or group for purposes of determining whether the foregoing 20% threshold for securities ownership has been reached by such person or group; and provided further that, notwithstanding the foregoing, the securities beneficially owned by any Existing Shareholder shall not be so excluded from the securities beneficially owned by any person or group if such person or group includes any person who is not an Existing Shareholder and such person or group has beneficial ownership of securities of the Company having 20% or more of all votes in the election of directors;

(2) the date on which there is a failure of individuals who were members of the Board of Directors as of May 5, 1995 to constitute at least a majority of the Board of Directors, unless the election (or the nomination for election by the shareholders) of each new director was approved by a vote of at least two-thirds of the total of such individuals then still in office and such other directors as may previously have been elected or nominated pursuant to such a two-thirds vote; or

(3) the date of approval by the shareholders of the Company of an agreement ( a "reorganization agreement") providing for (i) the merger or consolidation of the Company with another corporation in which the Company is not the surviving corporation, or pursuant to which its common stock is converted, other than a merger where the shareholders of the Company immediately prior to the merger or consolidation beneficially own, immediately after the merger or consolidation, shares of the corporation issuing cash or securities in the merger or consolidation entitling such shareholders to 50% or more of all votes to which all shareholders of such corporation would be entitled in the election of Directors or where the members of the Board of Directors of the Company immediately prior to the merger or consolidation constitute, immediately after the merger or consolidation, a majority of the Board of Directors of the corporation issuing cash or securities in the merger or consolidation, or (ii) the sale or other disposition or liquidation of all or substantially all of the assets of the Company; provided, however that notwithstanding anything to the contrary in this Plan, no transaction or series of transactions shall constitute a "Change in Control" as to the holder of any Stock Option if such transaction or series of transactions required such holder to be identified in any United States securities law filing as a person or a member of any group acquiring, holding or disposing of beneficial ownership of the Company's securities and effecting a "Change in Control" as defined herein.

#### SECTION 12. AMENDMENTS AND TERMINATION.

The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Award heretofore granted, without the Participant's consent, or that without the approval of the stockholders would:

(a) except as is provided in Section 4(b) of the Plan, increase the total number of shares reserved for the purposes of the Plan; or

(b) change the employees or class of employees eligible to participate in the Plan.

The Committee may amend the terms of any Award heretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his consent. The Committee may also substitute new Awards for Awards previously granted to Participants, including without limitation previously granted Options having Fair Market Value or higher option prices, except the number of Options substituted shall not exceed ten percent (10%) of the total number of shares authorized under the Plan.

The Plan shall become effective on May 5, 1995, and shall remain in effect, subject to the right of the Board to amend, alter or discontinue the Plan as described above, until May 5, 2005.

### SECTION 13. GENERAL PROVISIONS.

(a) The adoption of this Plan by the stockholders at the 1995 Stockholder Meeting will simultaneously terminate the 1989 Restricted Stock Purchase Plan. Outstanding Awards under the 1989 Restricted Stock Plan shall continue in full force and subject to the provisions of the 1989 Restricted Stock Plan.

(b) No Award shall be assignable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant. Each Award shall be exercisable, during the lifetime of the Participant, only by the Participant or, if permissible under applicable law, by the guardian or legal representative of the Participant.

(c) The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Incentive Stock Option or any Stock Appreciation Right related to any Incentive Stock Option exceed a period of ten (10) years from the date of its grant.

(d) No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(e) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

(f) The Committee shall be authorized to make adjustments in Performance Award standards or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any defect, supply any omission or reconcile any



inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

(g) The Committee shall have full power and authority to determine any other type and form of Award beyond those enumerated above to grant a Participant for the furtherance of the purposes of the Plan.

(h) The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In particular, but without limitation, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of such employment, becomes associated with, employed by, renders services to, or owns any interest in (other than any nonsubstantial interest, as determined by the Committee), any business that is in competition with the Company or with any business in which the Company has a substantial interest as determined by the Committee.

(i) All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(j) Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or Dividend Equivalents, with respect to the number of shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.

(k) As circumstances may from time to time require, the Committee may in its sole discretion make available to Participants loans for the purpose of exercising Options. These loans shall include such terms as the Committee deems reasonable in its sole discretion.

(l) The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due with respect to an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Company shall also be authorized to accept the delivery of shares by a Participant in payment for the withholding of federal, state and local taxes (but not for social security and Medicare taxes) up to the Participant's marginal tax rate.

(m) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(n) The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of New Jersey and applicable Federal law.

(o) If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

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