

CURTISS WRIGHT CORP

FORM 10-Q (Quarterly Report)

Filed 11/15/2001 For Period Ending 9/30/2001

Address	1200 WALL ST W LYNDHURST, New Jersey 07071
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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 QUARTER ENDED SEPTEMBER 30, 2001

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware 13-0612970

(State or other jurisdiction of
incorporation or organization)

(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: 10,074,400 shares
(as of October 31, 2001)

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

(In thousands)

	(UNAUDITED) September 30, 2001	December 31, 2000
Assets		
Current Assets:		
Cash and cash equivalents	\$ 23,995	\$ 8,692
Short-term investments	61,998	62,766
Receivables, net	69,873	67,815
Inventories, net	48,207	50,002
Deferred income taxes	9,757	9,378
Other current assets	3,170	3,419
	-----	-----
Total current assets	217,000	202,072
	-----	-----
Property, plant and equipment, at cost	258,480	246,896
Less: Accumulated depreciation	163,345	156,443
Property, plant and equipment, net	95,135	90,453
Prepaid pension costs	67,307	59,765
Goodwill	47,058	47,543
Other assets	8,450	9,583
	-----	-----
Total Assets	\$434,950	\$409,416
	=====	=====
Liabilities		
Current Liabilities:		
Current portion of long-term debt	\$ -	\$ 5,347
Dividends payable	1,311	-
Accounts payable and accrued expenses	36,736	33,155
Income taxes payable	9,549	4,157
Other current liabilities	6,522	9,634
	-----	-----
Total current liabilities	54,118	52,293
	-----	-----
Long-term debt	22,083	24,730
Deferred income taxes	21,812	21,689
Other liabilities	22,630	20,480
	-----	-----
Total Liabilities	120,643	119,192
	-----	-----
Stockholders' Equity		
Common stock, \$1 par value	15,000	15,000
Capital surplus	50,299	51,506
Retained earnings	436,342	411,866
Unearned portion of restricted stock	(87)	(22)
Accumulated other comprehensive income	(7,260)	(5,626)
	-----	-----
494,294	472,724	
Less: cost of treasury stock	179,987	182,500
	-----	-----
Total Stockholders' Equity	314,307	290,224
	-----	-----
Total Liabilities and Stockholders' Equity	\$434,950	\$409,416
	=====	=====

See notes to consolidated financial statements.

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

(In thousands except per share data)

Three Months Ended Nine Months Ended

	September 30,		September 30,	
	2001	2000 (1)	2001	2000 (1)
	-----	-----	-----	-----
Net sales	\$ 79,420	\$ 81,878	\$ 245,941	\$ 247,165
Cost of sales	49,233	51,111	152,906	156,998
Gross profit	30,187	30,767	93,035	90,167
Research & development expenses	1,257	737	3,179	2,336
Selling expenses	4,375	4,381	13,455	14,069
General and administrative expenses				
Environmental expense (recoveries), net	54	27	97	(1,755)
Operating income	----- 11,098	----- 13,022	----- 35,429	----- 39,140
Investment income, net	834	725	2,327	1,744
Rental income, net	540	971	2,394	3,021
Pension income, net	2,864	2,163	7,551	6,248
Other (expenses) income, net	(313)	1,413	(352)	1,306
Interest expense	(272)	(394)	(917)	(1,166)
Earnings before income taxes	----- 14,751	----- 17,900	----- 46,432	----- 50,293
Provision for income taxes	6,028	6,821	18,025	19,341
Net earnings	----- \$ 8,723	----- \$ 11,079	----- \$ 28,407	----- \$ 30,952
Basic earnings per common share	----- \$ 0.87	----- \$ 1.11	----- \$ 2.82	----- \$ 3.09
Diluted earnings per common share	----- \$ 0.85	----- \$ 1.09	----- \$ 2.78	----- \$ 3.03
Dividends per common share	----- \$ 0.13	----- \$ 0.13	----- \$ 0.39	----- \$ 0.39
Weighted average shares outstanding:				
Basic	10,073	10,012	10,057	10,015
Diluted	10,224	10,199	10,208	10,202

(1) Certain prior year information has been reclassified to conform to current presentation.

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

(In thousands)

	Nine Months Ended	
	September 30,	
	2001	2000 (1)
Cash flows from operating activities:		
Net earnings	\$ 28,407	\$ 30,952
Adjustments to reconcile net earnings to net cash provided by operating activities (net of businesses acquired):		
Depreciation and amortization	11,271	10,883
Net gains on short-term investments	(32)	(89)
Net gain on sale of asset	2	1,436
Non-cash pension income	(7,551)	(6,248)
(Decrease) increase in deferred taxes, net	(256)	3,143
Changes in operating assets and liabilities:		
Proceeds from sales of trading securities	206,037	204,342
Purchases of trading securities	(205,237)	(229,241)
(Increase) decrease in receivables	(1,681)	5,705
(Increase) decrease in inventories	(838)	6,436
Increase (decrease) in progress payments	3,928	(1,967)
Increase (decrease) in accts payable and accrued exp.	1,771	(1,346)
Increase (decrease) in income taxes payable	5,392	(2,344)
Decrease in other assets	249	1,369
Decrease in other liabilities	(2,432)	(4,769)
Other, net	486	380
Total adjustments	11,109	(12,310)
Net cash provided by operating activities	39,516	18,642
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	643	150
Additions to property, plant and equipment	(12,591)	(6,383)
Acquisition of new business	(1,525)	0
Net cash used in investing activities	(13,473)	(6,233)
Cash flows from financing activities:		
Debt repayments	(7,751)	(5,951)
Dividends paid	(2,620)	(2,606)
Proceeds from the exercise of stock options	1,309	504
Common stock repurchases	(3)	(1,495)
Net cash used in financing activities	(9,065)	(9,548)
Effect of foreign exchange rate changes	(1,675)	(1,922)
Net increase in cash and cash equivalents	15,303	939
Cash and cash equivalents at beginning of period	8,692	9,547
Cash and cash equivalents at end of period	\$ 23,995	\$ 10,486

See notes to consolidated financial statements.

(1) Certain prior year information has been reclassified to conform to current presentation.

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

(In thousands)

	Common Stock -----	Capital Surplus -----	Retained Earning -----	Unearned Portion of Restricted Stock -----	Accumulated Other Comprehensive Income -----	Treasury Stock -----
December 31, 1999	\$15,000	\$51,599	\$376,006	(\$24)	(\$2,622)	\$181,604
Net earnings			41,074			
Common dividends			(5,214)			
Restricted stock Issued		1		(15)		(14)
Common stock repurchased						1,489
Stock options exercised, net		(94)				(579)
Amortization of earned portion of Translation adjustments, net				17	(3,004)	
December 31, 2000	\$15,000	\$51,506	\$411,866	(\$22)	(\$5,626)	\$182,500
Net earnings			28,407			
Common dividends			(3,931)			
Restricted stock Issued		5		(77)		(72)
Common stock repurchased						3
Stock options exercised, net		(1,212)				(2,444)
Amortization of earned portion of Translation adjustments, net				12	(1,634)	
September 30, 2001	\$15,000	\$50,299	\$436,342	(\$87)	(\$7,260)	\$179,987

See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

NOTES to CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

Curtiss-Wright Corporation and its subsidiaries (the "Corporation") is a diversified multi-national manufacturing and service concern that designs, manufactures and repairs precision components and systems and provides highly engineered services to the aerospace, ground defense, automotive, shipbuilding, oil, petrochemical, agricultural equipment, railroad, power generation, metalworking and fire & rescue industries. Operations are conducted through nine manufacturing facilities, thirty-nine metal treatment service facilities and four component repair 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 2000 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 2000 amounts have been made in order to conform to the current presentation.

2. ACQUISITIONS

On March 23, 2001, the Corporation acquired the operating assets of Solent & Pratt Ltd. Solent & Pratt is a manufacturer of high performance butterfly valves and has been a global supplier to the petroleum, petrochemical, chemical and process industries for over 40 years. The operations are located in Bridport, England and will continue to operate under the Solent & Pratt name.

The Solent & Pratt butterfly valve product line complements products the Corporation currently offers to its existing markets. The addition also provides Curtiss-Wright with a European manufacturing presence for its Flow Control business segment and strengthens its distribution capabilities in that region.

The Corporation purchased the assets of Solent & Pratt for approximately \$1.5 million in cash and assumed certain liabilities. The acquisition was accounted for as a purchase in the first quarter of 2001. The excess of the purchase price over the fair value of the net assets acquired is currently estimated at \$1.4 million.

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

3. RECEIVABLES

Receivables at September 30, 2001 and December 31, 2000 include amounts billed to customers and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed as of the dates presented. Substantially all unbilled receivables are expected to be billed and collected within a year. The composition of receivables is as follows:

	(In thousands)	
	September 30, 2001	December 31, 2000
Accounts receivable, billed	\$ 54,201	\$ 60,927
Less: progress payments applied	(296)	(1,508)
	-----	-----
	53,905	59,419
	-----	-----
Unbilled charges on long-term contracts	25,255	18,090
Less: progress payments applied	(8,074)	(7,040)
	-----	-----
	17,181	11,050
	-----	-----
Allowance for doubtful accounts	(1,213)	(2,654)
	-----	-----
Receivable, net	\$ 69,873	\$ 67,815
	=====	=====

4. INVENTORIES

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories at September 30, 2001 and December 31, 2000 is as follows:

	(In thousands)	
	September 30, 2001	December 31, 2000
Raw materials	\$ 14,002	\$ 11,955
Work-in-process	10,544	10,815
Finished goods/component parts	34,809	32,621
Inventoried costs related to US government and other long-term contracts	5,516	5,961
	-----	-----
Gross inventory	64,871	61,352
Less: inventory reserves	(12,152)	(10,944)
Less: progress payments	(4,512)	(406)
	-----	-----
Inventories, net	\$ 48,207	\$ 50,002
	=====	=====

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

5. ENVIRONMENTAL MATTERS

The Corporation establishes a reserve for a potential environmental responsibility when it concludes that a determination of legal liability is probable, based upon the advice of counsel. 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 the current value of anticipated remediation costs 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 but are not limited to the Sharkey landfill superfund site, Parsippany, New Jersey; Caldwell Trucking Company superfund site, Fairfield, New Jersey; Pfohl Brothers landfill site, Cheektowaga, New York; Chemsol, Inc. superfund site, Piscataway, New Jersey; and Amenia landfill site, Amenia, New York.

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. SEGMENT INFORMATION

The Corporation conducts its business operations through three segments: Motion Control, Metal Treatment and Flow Control.

	(In thousands)					
	Three Months Ended September 30, 2001					
	Motion Control	Metal Treatment	Flow Control	Segment Total	Corporate & Other	Consolidated Total
Revenue from external	\$30,006	\$26,501	\$22,913	\$79,420	\$ 0	\$79,420
Intersegment revenues	0	115	0	115	(115)	0
Segment operating Income	4,076	4,605	2,424	11,105	(7)	11,098

	(In thousands)					
	Three Months Ended September 30, 2000					
	Motion Control	Metal Treatment	Flow Control	Segment Total	Corporate & Other	Consolidated Total
Revenue from external	\$32,614	\$25,320	\$23,944	\$81,878	\$ 0	\$81,878
Intersegment revenues	0	126	0	126	(126)	0
Segment operating Income	4,537	5,743	3,054	13,334	(312)	13,022

Reconciliation:

	(In thousands)	
	Three months ended	
	September 30, 2001	September 30, 2000
Total operating income	\$11,098	\$13,022
Investment income, net	834	725
Rental income, net	540	971
Pension income, net	2,864	2,163
Other income (expense), net	(313)	1,413
Interest expense	(272)	(394)
	-----	-----
Earnings before income taxes	\$14,751	\$17,900
	=====	=====

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

	(In thousands)					
	Nine Months Ended September 30, 2001					
	Motion Control	Metal Treatment	Flow Control	Segment Total	Corporate & Other	Consolidated Total
Revenue from external	\$95,691	\$81,422	\$68,828	\$245,941	\$ 0	\$245,941
Intersegment revenues	0	345	0	345	(345)	0
Segment operating income	14,658	14,985	6,326	35,969	(540)	35,429
Segment assets	95,203	87,385	90,865	273,453	161,497	434,950

	(In thousands)					
	Nine Months Ended September 30, 2000					
	Motion Control	Metal Treatment	Flow Control	Segment Total	Corporate & Other	Consolidated Total
Revenue from external	\$92,264	\$80,021	\$74,880	\$247,165	\$ 0	\$247,165
Intersegment revenues	0	427	0	407	(427)	0
Segment operating income	11,055	17,966	7,499	36,520	2,620	39,140
Segment assets	106,837	85,388	82,486	274,711	127,946	402,657

(1) Operating income for corporate and other includes a \$2.8 million gain for the curtailment of postretirement benefits associated with the closing of the Fairfield, NJ facility and net environmental recoveries of \$1.9 million, partially offset by accrued post employment costs of \$.7 million.

	(In thousands)	
	Nine months ended	
	September 30, 2001	September 30, 2000
Reconciliation:		
Total operating income	\$35,429	\$39,140
Investment income, net	2,327	1,744
Rental income, net	2,394	3,021
Pension income, net	7,551	6,248
Other expense, net	(352)	1,306
Interest expense	(917)	(1,166)
	-----	-----
Earnings before income taxes	\$46,432	\$50,293
	=====	=====

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

7. COMPREHENSIVE INCOME

Total comprehensive income is as follows:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	Sept. 30, 2001	Sept. 30, 2000
Net earnings	\$8,723	\$11,079	\$28,407	\$30,952
Foreign currency translations	1,956	242	(1,634)	(114)
Total comprehensive income	\$10,679	\$11,321	\$26,773	\$30,838

EARNINGS PER SHARE

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 three and nine months ended September 30, 2001 were 151,000, and for the three and nine months ended September 30, 2000 were 187,000.

CONTINGENCIES AND COMMITMENTS

The Corporation's Drive Technology subsidiary located in Switzerland entered into sales agreements with two European defense organizations which contained offset obligations to purchase approximately 43.0 million Swiss francs of product from suppliers of two European countries over multi-year periods which expire in 2005 and 2007. The agreements contain a penalty of 5% of the unmet obligation at the end of the term of the agreements.

The Corporation expects to fully comply with both obligations under these agreements.

ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

The Corporation adopted Financial Accounting Standard No. 133 "Accounting for Derivatives and Hedging Activities" effective January 1, 2001. The adoption of this standard had no material effect on the Corporation's results of operation or financial condition due to its limited use of derivatives.

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141, which requires all business combinations to be accounted for under the purchase method of accounting, is effective for business combinations initiated after June 30, 2001. Under the new rules of SFAS No. 142, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Accordingly, the Corporation will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the statement is not expected to have a material effect on the Corporation's financial statements. The Corporation has not yet determined what the effect of these impairment tests will be on the earnings and financial position of the Corporation.

On October 4, 2001, the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement defines the accounting for long-lived assets to be held and used, assets held for sale and assets to be disposed of by other than sale and is effective for fiscal years beginning after December 15, 2001. The Corporation does not expect the adoption of this pronouncement to have a material impact on the earnings or financial position of the Corporation.

12. SALE OF WOOD-RIDGE PROPERTY

On September 21, 2001, the Corporation entered into a definitive agreement to sell its Wood-Ridge Business Complex, which is located in Wood-Ridge, New Jersey to experienced real estate professionals. The purchaser of the property is expected to continue operating the Business Complex as a rental property to tenants engaged in light manufacturing, assembly and warehousing operations. The business complex comprises approximately 2.3 million square feet of rental space located on 138 acres of land.

The sales price of the property is \$51 million. As a condition of the sale, the Company will retain the responsibility to continue its environmental remediation efforts on this property in accordance with the sale agreement. The sale is expected to close in the fourth quarter of 2001 and generate an after-tax gain of approximately \$23.5 million, or \$2.30 per diluted share.

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

13. SUBSEQUENT EVENTS

Acquisitions

On November 2, 2001 the Corporation acquired the assets of Lau Defense Systems ("LDS") and the stock of Vista Controls, Inc. ("Vista") from Lau Acquisition Corporation. LDS and Vista design and manufacture "mission-critical" electronic control systems primarily for the defense market. Also acquired was LDS' perimeter intrusion detection security system product line. In addition, an agreement was reached for the licensing of facial recognition products for certain U.S. Government and industrial markets. Total sales for the current year are expected to approximate \$50 million. The businesses acquired have operating facilities located in Littleton, Massachusetts and Santa Clarita, California with approximately 160 employees. The purchase price of the acquisition, subject to adjustment as provided for in the purchase agreement, was \$41 million in cash and the assumption of certain liabilities. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria over the next five years. The acquisition was made from internally available funds.

On November 6, 2001, the Corporation acquired the commercial heat-treating business assets of Ironbound Heat Treating Company ("Ironbound"). Ironbound provides heat-treating services to markets that include tool and die, automotive, aerospace and medical components and has a customer base of over 1,000. Total annual sales are approximately \$3.5 million. The business is located in Roselle, New Jersey and has approximately 25 employees. The purchase price of the acquisition, subject to adjustment as provided for in the purchase agreement, was \$4.5 million. The acquisition was made from internally available funds.

On November 8, 2001, the Corporation acquired the stock of Peerless Instrument Co, Inc. ("Peerless"). Peerless is an engineering and manufacturing company that designs and produces custom control components and systems for flow control applications primarily to the U.S. Nuclear Naval program. Total annual sales are approximately \$14 million. The business is located in Elmhurst, New York and has approximately 100 employees. The purchase price of the acquisition, subject to adjustment as provided for in the purchase agreement, was \$7 million. The acquisition was made from internally available funds.

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

13. SUBSEQUENT EVENTS (continued)

Re-capitalization Update

On October 26, 2001, Curtiss-Wright Corporation's shareholders approved a series of transactions previously announced by the Corporation. At a special shareholders' meeting of Curtiss-Wright, shareholders approved a plan pursuant to which the Corporation will be re-capitalized to facilitate a tax-free distribution by Unitrin to its shareholders of its approximately 44% equity position in Curtiss-Wright. This action is expected to increase the number of shares held by public shareholders, from about 5.7 million to 10.1 million. It will also triple Curtiss-Wright's shareholder base from its current 3,500 stockholders to approximately 11,000 stockholders.

Also in connection with the re-capitalization, the corporation's shareholders approved certain amendments to its Restated Certificate of Incorporation providing for, among other things, the elimination of the shareholders' ability to act by written consent or call a special meeting, and the requirement of a two-thirds vote of shareholders to amend certain provisions of the Restated Certificate of Incorporation.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

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

RESULTS of OPERATIONS

For the Three Months Ended September 30, 2001

Sales for the third quarter of 2001 totaled \$79.4 million, down 3% from sales of \$81.9 for the third quarter of 2000. New orders for the current quarter of \$66.4 million were essentially flat with the prior year quarter and backlog was 11% lower, at \$173.8 million. For the quarter, higher sales of aerospace OEM products, products provided to the oil and gas markets and shot-peening services were offset by lower demand for aerospace overhaul and repair services, softening in our automotive-related businesses and unfavorable foreign exchange rates, as compared to the prior year. The events of September 11th had an impact on operating results for the 2001 period, primarily in the commercial aerospace overhaul and repair market, where the combination of reduced flight schedules and the grounding of older aircraft has reduced the demand for maintenance services. The events of September 11th coupled with recent indications of significantly lower future production schedules by Boeing, are expected to cause a softening in our OEM Aerospace business.

Operating income for the current quarter of \$11.1 million was 15% below that for the same period in 2000. Operating income for the third quarter of 2001 was adversely impacted by foreign exchange rates when compared to 2000. In addition, lower gross profit, higher research and development costs related to new products and programs, higher general and administrative expenses relative to increased acquisition activities and our re-capitalization proposal, and a major contribution of our Power Hawk rescue tool to the September 11th disaster sites also adversely affected operating income when compared to the comparable prior year quarter.

Net earnings for the third quarter of 2001 totaled \$8.7 million, or \$0.85 per diluted share, which was 14% below normalized net earnings of \$10.2 million, or \$1.00 per diluted share in 2000. Reported net earnings for the third quarter of 2000, which totaled \$11.1 million, or \$1.09 per diluted share, included an after-tax gain of \$0.9 million, or \$0.09 per diluted share associated with the sale of a non-operating facility in Chester, England.

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

RESULTS of OPERATIONS

For the Nine Months Ended September 30, 2001

For the first nine months of 2001, sales totaled \$245.9 million, a slight decline from sales of \$247.2 million for the first nine months of 2000. New orders of \$237.1 million were 3.2% higher than the nine-month period of 2000. For the first nine months of 2001, higher sales of aerospace OEM products, products provided to the oil and gas markets and shot-peening services were offset by lower demand for aerospace overhaul and repair services, softening in our automotive-related businesses and unfavorable foreign exchange rates, as compared to the prior year.

Operating income for the first nine months of 2001 was \$35.4 million, down 9% as compared to reported operating income of \$39.1 million for the same period of 2000. However, during the nine-month period of 2000, the Corporation recorded several unusual items, which added a net amount of \$3.8 million to operating income (see table below for details). Excluding the effect of these items normalized operating income for 2000 was \$35.3 million. Thus, operating income for the first nine months of 2001 was slightly higher than normalized operating income for the same period of 2000. This performance was attributable to higher margins resulting from the continued realization of the benefits of profit improvement/cost reduction programs, offset partially by unfavorable foreign exchange rates and start-up related costs for new metal treatment facilities.

Net earnings for the first nine months of 2001 were \$28.4 million, or \$2.78 per diluted share, down 8% from reported net earnings of \$31.0 million for the same period in 2000. However, during the nine-month period of 2000, the Corporation recorded several unusual items, which added \$3.2 million to net earnings (see table below for details). Excluding the effect of these items normalized net earnings for 2000 were \$27.7 million, or \$2.71 per diluted share. Thus, net earnings for the first nine months of 2001 were 2.5% higher than normalized net earnings for the same period of 2000.

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	NORMALIZED EARNINGS SUMMARY-QUARTER OPERATING	NET	DILUTED
	Quarter Ended September 30, 2001		
As Reported	\$11,098	\$8,723	\$0.85
Unusual Items	0	0	0.00
	-----	-----	-----
Normalized	\$11,098	\$8,723	\$0.85
	=====	=====	=====
	Quarter Ended September 30, 2000		
As Reported	\$13,022	\$11,079	\$1.09
Unusual Item:			
Gain on sale of non-operating facility facility	0	(889)	(0.09)
	-----	-----	-----
Normalized	\$13,022	\$10,190	\$1.00
	=====	=====	=====
	NORMALIZED EARNINGS SUMMARY-NINE MONTHS OPERATING	NET	DILUTED
	Nine Months Ended September 30, 2001		
As Reported	\$35,429	\$28,407	\$2.78
Unusual Items	0	0	0.00
	-----	-----	-----
Normalized	\$35,429	\$28,407	\$2.78
	=====	=====	=====
	Nine Months Ended September 30, 2000		
As Reported	\$39,140	\$30,952	\$3.03
Unusual Items:			
Insurance settlements, net	(3,643)	(2,235)	(0.22)
Environmental costs	1,747	1,072	0.11
Postretirement benefits curtailment	(2,767)	(1,692)	(0.17)
Post employment & other costs	823	503	0.05
Gain on sale of non-operating facility facility	0	(889)	(0.09)
	-----	-----	-----
Normalized	\$35,300	\$27,711	\$2.71
	=====	=====	=====

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Operating Performance

Motion Control

Sales for the Corporation's Motion Control segment totaled \$30.0 million for the third quarter of 2001, declining 8% from the comparable period last year and 16% from the second quarter of 2001. Sales were impacted by some earlier-than-anticipated shipments of Boeing OEM products in the second quarter of 2001, which shifted sales away from the current quarter. Despite this shift, sales for OEM products in the third quarter of this year were higher than the same period in 2000. Sales declines were attributable to a slowdown in the aerospace component overhaul and repair area where the events of September 11th had an impact on commercial airline activity. The combination of reduced flight schedules and the grounding of older aircraft has reduced the demand for maintenance activities. The events of September 11th coupled with recent indications of significantly lower future production schedules by Boeing, are expected to cause a softening in our OEM Aerospace business.

The third quarter operating income results continued to show improvement in the operating margin percentages for OEM products. Profit improvement programs have generated higher margins for the quarter not only compared to last year's third quarter but also to the second quarter of this year. Advances in this area have been more than offset by the lower margins in our overhaul and repair area that have resulted from the lower sales volume mentioned earlier. Also affecting this segment's operating income for the quarter was the cost of a major contribution of our Power Hawk rescue tool to the September 11th disaster sites

For the nine-month 2001 period, sales for the Corporation's Motion Control segment improved 4% to \$95.7 million, from \$92.3 million in the same period of 2000. Sales improvements were largely a result of higher shipments on the 737 and F-22 products and strong growth in the global defense business as compared to the prior year. Sales of aerospace repair and overhaul services for the first nine months of 2001 were lower than the prior year due primarily to softening in demand for these services. Operating income for the Motion Control segment also improved comparing the nine-month 2001 period to the prior year. The 2001 performance was due mainly to profit improvements in aerospace OEM products generated by the consolidation of production facilities and an improved cost structure.

Metal Treatment

Sales for the Corporation's Metal Treatment segment totaled \$26.5 million and \$81.4 million for the third quarter and first nine months of 2001, respectively. The third quarter's sales, when compared to the same period last year, increased 5%, despite the unfavorable impact of foreign currency exchange rate movements.

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Sales continued to improve in both North American and European shot-peening operations, while heat-treating operations continued to suffer lower volume as a result of reduced production levels in the automotive/truck and agricultural equipment markets. While sales in total have increased over last year, profit margins have been negatively impacted by costs associated with three new facilities that were opened during 2000. Performance this year has also been negatively affected by higher natural gas prices, which are a considerable expense in the heat-treating operations.

Flow Control

The Corporation's Flow Control segment posted sales of \$22.9 million for the third quarter and \$68.8 million for the first nine months of 2001, compared with sales of \$23.9 million and \$74.9 million reported in the same respective periods of 2000. Lower sales during the third quarter and nine-month period of 2001 were primarily the result of the slowdown in the automotive and heavy truck markets. Sales for the 2001 periods benefited from increased sales to the U.S. Navy, which are expected to be approximately 10% higher than the prior year for the 2001 year, strong demand in the petrochemical and oil and gas markets, primarily for maintenance, repair and overhaul applications and an acquisition that occurred at the end of the first quarter. Operating margins in the Flow Control segment were impacted by a slight loss incurred on products associated with the automotive market.

Corporate and Other

The Corporation had a non-segment operating loss of \$0.5 million during the first nine months of 2001 as compared to \$2.6 million of non-segment operating income in the same period of the prior year. During the nine-month period of 2001, the Corporation recognized re-capitalization costs of \$0.4 million, which were partially offset by a small insurance settlement. Results for the first nine months of 2000 included a \$3.9 million gain, reflecting the recognition of the curtailment of postretirement benefits associated with the closing of the Fairfield, New Jersey facility, and environmental insurance settlements, net of environmental costs, offset partially by non-recurring post-employment expenses.

Other Revenues and Costs

For the third quarter of 2001, the Corporation recorded net non-operating income (excluding interest expense) of \$3.9 million compared to \$5.3 million in the third quarter of 2000. The decline is attributable to the aforementioned gain associated with the sale of a non-operating facility in Chester, England. For the first nine months of 2001 net non-operating income (excluding interest expense) totaled \$11.9 million as compared to \$12.3 million in the same period of 2000. Excluding the gain recorded for the facility sale in 2000, comparable non-operating income for 2001 improved from an increase in non-cash pension income, reflecting the higher overfunded status of the Corporation's pension plan and higher net investment income, offset partially by lower net rental income.

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CHANGES IN FINANCIAL CONDITION:

Liquidity and Capital Resources:

The Corporation's working capital was \$162.9 million at September 30, 2001, 9% above working capital at December 31, 2000 of \$149.8 million. The ratio of current assets to current liabilities was 4.01 to 1 at September 30, 2001, compared with a current ratio of 3.86 to 1 at December 31, 2000.

Cash, cash equivalents and short-term investments totaled \$86.0 million in aggregate at September 30, 2001, a 20% increase from \$71.5 million at the prior year-end. During 2001, the Corporation repaid two industrial revenue bonds totaling \$5.3 million and paid approximately \$2.4 million of its long-term Swiss debt. In addition, during the first quarter of 2001, the Corporation acquired the net assets of Solent & Pratt Ltd. for cash, as discussed in Note 2 to the Consolidated Financial Statements.

Cash flow for the Corporation benefited from a decline in inventories due to increased progress payments and reserves. Inventory turnover improved to 4.20 at September 30, 2001 from 3.77 at the prior year-end.

The Corporation has two credit agreements in effect, a Revolving Credit Agreement and a Short-Term Credit Agreement, aggregating \$100.0 million with a group of five banks. The credit agreements allow for borrowings to take place in U. S. or certain foreign currencies. The Revolving Credit Agreement commits a maximum of \$60.0 million to the Corporation for cash borrowings and letters of credit. The unused credit available under this facility at September 30, 2001 was \$34.9 million. The commitments made under the Revolving Credit Agreement expire December 17, 2004, but may be extended annually for successive one-year periods with the consent of the bank group. The Short-Term Credit Agreement allows for cash borrowings of \$40.0 million, all of which was available at September 30, 2001. The Short-Term Credit Agreement expires on December 14, 2001 and may be extended, with the consent of the bank group, for an additional period not to exceed 364 days. Cash borrowings (excluding letters of credit) under the two credit agreements at September 30, 2001 were at a US Dollar equivalent of \$8.7 million, compared with cash borrowing of \$12.2 million at September 30, 2000. The initial borrowings under these agreements were used to finance the Drive Technology acquisition in December 1998 and have a remaining balance of 14 million Swiss francs as of September 30, 2001. The loans had variable interest rates averaging 4.1% for the first nine months of 2001 and variable interest rates averaging 3.3% for the first nine months of 2000.

During the first nine months of 2001, internally available funds were adequate to meet capital expenditures of \$12.6 million. Expenditures incurred during 2001 were generally for new and replacement machinery and equipment needed for the operating segments. During the first nine months of 2001, capital expenditures amounted to \$7.5 million, \$3.7 million and \$1.2 million for the Metal Treatment, Motion Control and Flow Control segments, respectively.

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The Corporation is expected to make additional capital expenditures during the balance of the year, primarily for machinery and equipment for the operating segments. Funds from internal sources are expected to be adequate to meet planned capital expenditures, environmental and other obligations for the remainder of the year.

RECENT DEVELOPMENTS

Wood-Ridge Property Sale

On September 21, 2001, the Corporation entered into a definitive agreement to sell its Wood-Ridge Business Complex, which is located in Wood-Ridge, New Jersey. See Note 12 to the Consolidated Financial Statements for further information.

Re-capitalization Update

On October 26, 2001, Curtiss-Wright Corporation's shareholders approved a series of transactions previously announced by the Corporation. See Note 13 to the Consolidated Financial Statements for further information.

Acquisitions

Lau Defense Systems/Vista Controls

On November 2, 2001 the Corporation acquired the assets of Lau Defense Systems and the stock of Vista Controls, Inc. from Lau Acquisition Corporation. See Note 13 to the Consolidated Financial Statements for further information.

Ironbound Heat Treating

On November 6, 2001, the Corporation acquired the commercial heat-treating business assets of Ironbound Heat Treating Company. See Note 13 to the Consolidated Financial Statements for further information.

Peerless Instrument Co.

On November 8, 2001, the Corporation acquired the stock of Peerless Instrument Co, Inc. See Note 13 to the Consolidated Financial Statements for further information.

F-35 Joint Strike Fighter Program Update

On October 26th, the Department of Defense awarded the new Joint Strike Fighter program. As a result, the Corporation will supply design, develop and manufacture the rotary actuators and torque shaft assemblies for the Leading Edge Flap Actuation System of this program. The current expectations are for 3,000 planes to be built.

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RECENTLY ISSUED ACCOUNTING STANDARDS

As discussed in Note 11 to the Consolidated Financial Statements, in July 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 "Business combinations" and No. 142 "Goodwill and Other Intangible Assets". Generally, the new rules eliminate the use of the "pooling of interests" method of accounting for a business combination effective for acquisitions initiated after June 30, 2001. In addition, the new rules eliminate the amortization of goodwill effective for years beginning after December 15, 2001 but subjects goodwill to an annual impairment test in accordance with the new rules. Application of the non-amortization provisions of the statement is not expected to have a material effect on the Corporation's financial statements. The Corporation has not yet determined what the effect of these tests will be on the earnings and financial position of the Corporation.

As discussed in Note 11 to the Consolidated Financial Statements, on October 4, 2001, the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement clarifies the accounting for long-lived assets to be held and used, assets held for sale and assets to be disposed of by other than sale and is effective for fiscal years beginning after December 15, 2001. The Corporation does not expect the adoption of this pronouncement to have a material impact on the earnings or financial position of the Corporation.

PART I - ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation is exposed to certain market risks from changes in interest rates and foreign currency exchange rates as a result of its global operating and financing activities. Although foreign currency translation had an unusually adverse impact on sales and operating income in 2000 and the nine months of 2001, the Corporation seeks to minimize the risks from these interest rate and foreign currency exchange rate fluctuations through its normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Corporation did not use such instruments for trading or other speculative purposes and did not use leveraged derivative financial instruments during the nine months of 2001. Information regarding the Corporation's market risk and market risk management policies is more fully described in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" of the Corporation Annual Report on Form 10-K for year ended December 31, 2000.

Forward-Looking Information

Except for historical information contained herein, this Quarterly Report on Form 10-Q does contain "forward looking" information within the meaning of

Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, earnings or loss per share, investment mix and quality, growth prospects, capital structure and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward looking information can be identified by the use of forward looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which are outside our control that could cause actual results to differ materially from future results expressed or implied by such forward looking information. Readers are cautioned not to put undue reliance on such forward-looking information. Such statements in this Report include, without limitation, those contained in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to the Consolidated Financial Statements including, without limitation, the Environmental Matters Note. Important factors that could cause the actual results to differ materially from those in these forward-looking statements include, among other items, (i) a reduction in anticipated orders; (ii) an economic downturn; (iii) unanticipated environmental remediation expenses or claims; (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 companies operating in the Corporation's Segments.

PART II - OTHER INFORMATION

Item 4. SUBMISSION of MATTERS to a VOTE of SECURITY HOLDERS

On October 26, 2001, the Registrant held a special meeting of stockholders. The matters submitted to a vote by the stockholders were: (1) the adoption the re-capitalization plan, pursuant to which Unitrin stockholders will become the holder of shares of a new class of Company common stock having the right to elect at least 80% of the Company's board of directors, while all other shares of the Company's common stock will be entitled to elect the remaining members of the board of directors; (2) a limitation on the size of the board; (3) the elimination of the ability of stockholders to act by written consent and to require that all stockholder action be taken at an annual or special meeting; (4) the elimination of the ability of stockholders to call a special meeting; and (5) the approval of 66 2/3% of the outstanding shares of the Company's stock entitled to vote, voting together as a single class, to alter, amend, rescind or repeal any of the Company's bylaws by stockholder action or to adopt or modify the provisions of our certificate of incorporation relating to this proposed supermajority voting provision or the proposed changes to the Company's certificate of incorporation described previously.

At the Meeting, holders of shares of Common Stock cast votes for and against, and abstained from voting with respect to the following proposals:

	FOR	AGAINST	ABSTAIN
Proposal 1 Re-capitalization			
All shareholders	6,966,810	2,478,028	8,087
Other than Unitrin	2,584,410	2,478,028	8,087
Proposal 2 Board Size Proposal	6,479,991	2,940,313	32,621
Proposal 3 Written Consent Proposal	6,005,307	3,429,185	18,433
Proposal 4 Special Meeting Proposal	6,005,715	3,436,423	10,787

Proposal 5
Supermajority Voting Proposal 5,955,615 3,484,719 12,590

Item 5. OTHER MATTERS

Acquisition or Disposition of Assets

(a) On November 2, 2001, Curtiss-Wright Corporation (the "Company") acquired substantially all of the assets of the Lau Defense Systems LLC (LDS) and all of the stock of the Vista Controls Corporation (VCC) subsidiaries of Lau Acquisition Corporation ("Lau"), for a purchase price of \$41 million subject to certain adjustments as provided for in the Asset Purchase and Sale Agreement (the "Agreement"). In addition, there are provisions for additional earn out payments over the next five years based upon the achievement of certain gross margin level benchmarks that have been established. The purchase price was determined as a result of arm's length negotiations between senior management of the Company and Lau. The acquired businesses generated combined sales of \$41 million in 2000.

Pursuant to the terms and conditions of the Agreement, the Company purchased the leasehold interests, receivables, inventory, fixed assets, patents, trade names and trademarks, and intangibles and assumed certain liabilities, such as accounts payable and accrued expenses, of the manufacturing and distribution operations of the two Lau business units (the "Purchased Assets").

The acquired business units, located in Littleton, Massachusetts and Santa Clarita, California, are intended to operate as part of Curtiss-Wright Flight Systems, Inc., a wholly owned subsidiary of the Company. All the facilities will operate in their current locations and with the current management team and employee workforce.

The description of the acquisition transaction set forth herein is qualified in its entirety by reference to the Asset Purchase Agreement, which is incorporated as Exhibit 2.1.

(b) Certain of the Purchased Assets of Lau constitute equipment and other physical property, particularly furniture, fixtures and leasehold improvements used in the business of Lau as described elsewhere herein, and the Company intends to continue such use.

Item 6. EXHIBITS and REPORTS on FORM 8-K

(a) Exhibits

2.1 Second Amended and Restated Distribution Agreement, dated as of August 17, 2001, between the Company and Unitrin, Inc. (incorporated by reference to Appendix A to the Company's Schedule 14C with respect to the re-capitalization of the Company dated September 5, 2001.)

2.2 Second Amended and Restated Agreement and Plan of Merger, dated as of August 17, 2001, among the Company, Unitrin, Inc., and CW Disposition Company (incorporated by reference to Appendix B to the Company's Schedule 14C with respect to the re-capitalization of the Company dated September 5, 2001)

2.3 Asset Purchase and Sale Agreement dated October 25, 2001 between Lau Acquisition Corporation, Lau Defense Systems, LLC, Vista Controls Corporation and Curtiss-Wright Corporation.

10.1 Change In Control Severance Protection Agreement dated July 9, 2001 between the Registrant and Chief Executive Officer of the Registrant

10.2 Standard Change In Control Severance Protection Agreement dated July 9, 2001 between the Registrant and Key Executives of the Registrant (replacing Standard Severance Protection Agreement dated June 19, 1998 between the Registrant and Officers of the Registrant, incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1998)

99.1 Press release of Curtiss-Wright Corporation dated November 2, 2001.

(b) Reports on Form 8-K

The Registrant did not file any report on Form 8-K during the quarter ended September 30, 2001

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/ Glenn E. Tynan

*Glenn E. Tynan
Corporate Controller
(Chief Accounting Officer)*

Dated: November 14, 2001

EXHIBIT 10.1

SEVERANCE PROTECTION AGREEMENT

THIS AGREEMENT made as of the 9th day of July 2001, by and between Curtiss-Wright Corporation (the "Company") and _____ (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 _____ 2001 (the "Effective Date"), and shall continue in effect until the third anniversary of the Effective Date (the "Term"); provided, however, that on January 1, 2002, 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 (the "Protected Period").

2. Termination of Employment.

(a) If, during the Protected Period, the Executive's employment with the Company or an Employing Affiliate shall be terminated (i) during the Protected Period by reason of the Executive's death, (ii) during the Protected Period by the Company for Cause, or (iii) during the initial 12 months of the Protected Period by the Executive other than for Good Reason, the Company shall pay to the Executive his Accrued Compensation.

(b) If, during the Protected Period, the Executive's employment with the Company or an Employing Affiliate shall be terminated (i) during the Protected Period by the Company for any reason other than Cause, (ii) during the first 12 month period of the Protected Period by the Executive for Good Reason, or (iii) during the second 12 month period of the Protected Period by the Executive for any reason (regardless of the whether the reason consthe 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 three times the sum of (A) the Executive's Base Amount and (B) the Executive's Bonus Amount;

(3) for thirty-six (36) months following the Executive's Termination Date (the "Continuation Period"), the Company shall continue on behalf of the Executive and his eligible dependents and beneficiaries the life insurance, disability, medical, dental, prescription drug and hospitalization coverages and benefits (the "Welfare Benefits") provided to the Executive immediately prior to the Change in Control or, if more favorable to the Executive, the Welfare Benefits as in effect at any time thereafter to the Company's employees who are similarly situated to the status of the Executive immediately prior to the Change in Control. The Welfare 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 eligible dependents and beneficiaries than the most favorable Welfare Benefits referred to above. 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 or continuation or conversion rights under any Welfare Benefits;

(4) in accordance with an amendment to the Company's pension plans (within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("Company Pension Plans"), the Executive shall be granted credit for service for all purposes (including vesting and benefit accruals) for the thirty-six (36) month period following the Executive's Termination Date under the Company's Pension Plans; notwithstanding anything to the contrary, with respect to each twelve (12) month period of such thirty-six (36) month period, the Executive shall be deemed, for purposes of such plans, to have compensation equal to the amount of compensation paid by the Company to the Executive (1) during the twelve (12) month fiscal year ending immediately prior to fiscal year which includes the Executive's Termination Date or, if greater, (2) during the portion of the fiscal year which includes the Executive's Termination Date and ending on the date immediately prior to his Termination Date; notwithstanding anything to the contrary, if (A) granting the Executive additional service credit under the Company's Pension Plans which are intended to be tax-qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Tax-Qualified Retirement Plans") (x) is not permitted by applicable law or could otherwise cause such plan, the trust maintained therewith, the plan's participants or beneficiaries or the Company to suffer any adverse and unintended tax consequences and (y) the Company's Pension Plans cannot, for any reason whatsoever, be utilized to satisfy the Company's obligation under the Tax-Qualified Retirement Plans to grant credit for service for the thirty-six month period referred to in this paragraph or (B) the Company's Pension Plans are not amended as noted in this paragraph or (C) if such amendments are, for any reason whatsoever, null and void or otherwise inapplicable to the Executive, then, the Company shall pay to the Executive in cash in a lump sum an amount equal to the present value of the additional benefit accruals which would otherwise have been provided under such Tax-Qualified Retirement Plans for such thirty-six (36) month period, determined using the actuarial assumptions used by such plan for calculating lump sum distributions; and, provided, further, that the compensation considered under this paragraph shall be limited to and subject to the terms and conditions of the plans, including (but not limited to) definitions of compensation or earnings.

(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) the Company shall provide the Executive during the thirty-six (36) month period following a Change in Control with personal financial planning or similar services in the same manner as provided prior to the Executive's termination of employment following or in connection with a Change in Control;

(7) the Company shall provide the Executive with outplacement services (such as headhunter or executive search fees) during the twelve (12) month period following a Change in Control in an effort to obtain employment following the Executive's termination of employment following or in connection with a Change in Control;

(8) 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) and (2) shall be paid in a single lump sum cash payment within ten (10) days after the Executive's Termination Date. The amounts provided for in Section (4) shall be paid in a single lump sum cash payment as soon as practicable and in accordance with any 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. In the event that the application of this paragraph is determined by a court of competent jurisdiction to be in violation of any of the Company's fiduciary or other obligations, the Company shall pay to the Executive, in a lump sum cash payment, an amount equal to the difference between the amount paid to the Executive upon exercising such stock options and stock appreciation rights and the amount which would have been payable to the Executive had the Executive exercised his options and rights on the Acceleration Date, assuming such options and rights been fully vested on such 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 therefore) 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 17.5 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. Non-Disparagement. Each of the Company, its Affiliates and the Executive agrees that it shall not, either during the Term or at anytime thereafter, disparage the other parties hereto or any of their respective affiliates, or any of the officers, directors, employees or shareholders of the Company or any of its Affiliates. The obligations of parties under this Section 7 shall not apply to disclosures required by applicable laws, governmental regulations or judicial or regulatory process. .

8. 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.

9. Non-Exclusivity of Rights. Except as provided in Section 2(d) hereof, 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.

10. (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).

(c) Springing Release. To obtain the benefits provided for in this Agreement, Executive agrees that he shall execute an agreement in a form satisfactory to the Company at the time he seeks such benefits which will irrevocably and unconditionally release and discharge the Company, its Successors and Assigns, and their officers, directors and employees from any and all debts, obligations, claims, demands, judgments, or causes of action of any kind arising out of or relating to Executive's employment with the Company or out of or relating to the termination of that employment (including but not

limited to the Age Discrimination in Employment Act of 1967) and all federal, state and local law claims, whether statutory or common law, including, but not limited to, claims of defamation (including both libel and slander), wrongful discharge, tortious interference with economic advantage, breach of contract, negligence, employment discrimination on any basis, and any other claim relating to Executive's employment with the Company or the termination of that employment.

11. 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.

12. 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) 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. Definitions.

17.1. 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 deferred pursuant to any salary reduction or deferred compensation elections made by the Executive.

17.2. 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.

17.3. 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.

17.4. Bonus Amount. For purposes of this Agreement, "Bonus Amount" shall mean the greater of (a) 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 and (b) the annual bonus paid under the Incentive Plan in respect of the fiscal year ending immediately prior to the Termination Date or, if greater, ending immediately prior to the Change in Control; 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.

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

(a) has been convicted of a felony; or

(b) intentionally engaged in illegal conduct or willful misconduct that is demonstrably and materially injurious to the Company or an Employing Affiliate; or

(c) 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.

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.

17.6. 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 (i) the then outstanding shares of Common Stock, (ii) the combined voting power of the Company's then outstanding Voting Securities or (iii) the voting power to elect a majority of the Company's Board of Directors; 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. ("Unitrin") or Caroline W. Singleton, as the Sole Trustee of the Singleton Family Trust or the Singleton Group, L.L.C. (collectively referring to Caroline Singleton, Singleton Family Trust and Singleton Group L.L.C. as "Singleton"), the reference to twenty percent (20%) in this Section 17.6(a) and Section 17.6(c) shall be deemed to be forty-five percent (45%) for purposes of Unitrin and twenty-two percent (22%) for purposes of Singleton. 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.

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

17.8. Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which (i) impairs the Executive's ability to substantially perform his duties with the Company or an Employing Affiliate for six (6) consecutive months and (ii) is intended to be permanent, or last for a period of at least twelve (12) months or result in death.

17.9. 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 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 17.9(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.

17.10. 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.

17.11. 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.

17.12. 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.

17.13. 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.

17.14. 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 its duly authorized officers and the Executive has executed this Agreement as of the day and year first above written.

CURTISS-WRIGHT CORPORATION

By: _____
Martin R. Benante
Title: Chief Executive Officer

ATTEST: _____
Brian D. O'Neill, Secretary

By: _____
Executive

APPENDIX A

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

EXHIBIT 10.2

SEVERANCE PROTECTION AGREEMENT

THIS AGREEMENT made as of July 9, 2001 by and between Curtiss-Wright Corporation (the "Company") and _____ (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 _____ 2001 (the "Effective Date"), and shall continue in effect until the third anniversary of the Effective Date (the "Term"); provided, however, that on January 1, 2002, 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 (the "Protected Period").

2. Termination of Employment.

(a) If, during the Protected Period, the Executive's employment with the Company or an Employing Affiliate shall be terminated: (A) by the Company for Cause, (B) by reason of the Executive's death, or (C) by the Executive other than for Good Reason, the Company shall pay to the Executive his Accrued Compensation.

(b) If, during the Protected Period, the Executive's employment with the Company or an Employing Affiliate shall be terminated: (A) by the Company for any reason other than Cause, or (B) by the Executive for Good Reason, 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 three times the sum of (A) the Executive's Base Amount and (B) the Executive's Bonus Amount;

(3) for thirty-six (36) months following the Executive's Termination Date (the "Continuation Period"), the Company shall continue on behalf of the Executive and his eligible dependents and beneficiaries the life insurance, disability, medical, dental, prescription drug and hospitalization coverages and benefits (the "Welfare Benefits") provided to the Executive immediately prior to the Change in Control or, if more favorable to the Executive, the Welfare Benefits as in effect at any time thereafter to the Company's employees who are similarly situated to the status of the Executive immediately prior to the Change in Control. The Welfare 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 eligible dependents and beneficiaries than the most favorable Welfare Benefits referred to above. 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 or continuation or conversion rights under any Welfare Benefits;

(4) in accordance with an amendment to the Company's pension plans (within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("Company Pension Plans"), the Executive shall be granted credit for service for all purposes (including vesting and benefit

accruals) for the thirty-six (36) month period following the Executive's Termination Date under the Company's Pension Plans; notwithstanding anything to the contrary, with respect to each twelve (12) month period of such thirty-six (36) month period, the Executive shall be deemed, for purposes of such plans, to have compensation equal to the amount of compensation paid by the Company to the Executive (1) during the twelve (12) month fiscal year ending immediately prior to fiscal year which includes the Executive's Termination Date or, if greater, (2) during the portion of the fiscal year which includes the Executive's Termination Date and ending on the date immediately prior to his Termination Date; notwithstanding anything to the contrary, if (A) granting the Executive additional service credit under the Company's Pension Plans which are intended to be tax-qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Tax-Qualified Retirement Plans") (x) is not permitted by applicable law or could otherwise cause such plan, the trust maintained therewith, the plan's participants or beneficiaries or the Company to suffer any adverse and unintended tax consequences and (y) the Company's Pension Plans cannot, for any reason whatsoever, be utilized to satisfy the Company's obligation under the Tax-Qualified Retirement Plans to grant credit for service for the thirty-six month period referred to in this paragraph or (B) the Company's Pension Plans are not amended as noted in this paragraph or (C) if such amendments are, for any reason whatsoever, null and void or otherwise inapplicable to the Executive, then, the Company shall pay to the Executive in cash in a lump sum an amount equal to the present value of the additional benefit accruals which would otherwise have been provided under such Tax-Qualified Retirement Plans for such thirty-six (36) month period, determined using the actuarial assumptions used by such plan for calculating lump sum distributions; and, provided, further, that the compensation considered under this paragraph shall be limited to and subject to the terms and conditions of the plans, including (but not limited to) definitions of compensation or earnings.

(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) the Company shall provide the Executive during the thirty-six (36) month period following a Change in Control with personal financial planning or similar services in the same manner as provided prior to the Executive's termination of employment following or in connection with a Change in Control;

(7) the Company shall provide the Executive with outplacement services (such as headhunter or executive search fees) during the twelve (12) month period following a Change in Control in an effort to obtain employment following the Executive's termination of employment following or in connection with a Change in Control;

(8) 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) and (2) shall be paid in a single lump sum cash payment within ten (10) days after the Executive's Termination Date. The amounts provided for in Section (4) shall be paid in a single lump sum cash payment as soon as practicable and in accordance with any 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. In the event that the application of this paragraph is determined by a court of competent jurisdiction to be in violation of any of the Company's fiduciary or other obligations, the Company shall pay to the Executive, in a lump sum cash payment, an amount equal to the difference between the amount paid to the Executive upon exercising such stock options and stock appreciation rights and the amount which would have been payable to the Executive had the Executive exercised his options and rights on the Acceleration Date, assuming such options and rights been fully vested on such 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 therefore) 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 17.5 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. Non-Disparagement. Each of the Company, its Affiliates and the Executive agrees that it shall not, either during the Term or at anytime thereafter, disparage the other parties hereto or any of their respective affiliates, or any of the officers, directors, employees or shareholders of the Company or any of its Affiliates. The obligations of parties under this Section 7 shall not apply to disclosures required by applicable laws, governmental regulations or judicial or regulatory process.

8. 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.

9. Non-Exclusivity of Rights. Except as provided in Section 2(d) hereof, 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.

10. (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).

(c) Springing Release. To obtain the benefits provided for in this Agreement, Executive agrees that he shall execute an agreement in a form satisfactory to the Company at the time he seeks such benefits which will irrevocably and unconditionally release and discharge the Company, its Successors and Assigns, and their officers, directors and employees from any and all debts, obligations, claims, demands, judgments, or causes of action of any kind arising out of or relating to Executive's employment with the Company or out of or relating to the termination of that employment (including but not limited to the Age Discrimination in Employment Act of 1967) and all federal, state and local law claims, whether statutory or common law, including, but not limited to, claims of defamation (including both libel and slander), wrongful discharge, tortious interference with economic advantage, breach of contract, negligence, employment discrimination on any basis, and any other claim relating to Executive's employment with the Company or the termination of that employment.

11. 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.

12. 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) 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. Definitions.

17.1. 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 deferred pursuant to any salary reduction or deferred compensation elections made by the Executive.

17.2. 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.

17.3. 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.

17.4. Bonus Amount. For purposes of this Agreement, "Bonus Amount" shall mean the greater of (a) 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 and (b) the annual bonus paid under the Incentive Plan in respect of the fiscal year ending immediately prior to the Termination Date or, if greater, ending immediately prior to the Change in Control; 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.

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

(a) has been convicted of a felony; or

(b) intentionally engaged in illegal conduct or willful misconduct that is demonstrably and materially injurious to the Company or an Employing Affiliate; or

(c) 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.

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.

17.6. 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 (i) the then outstanding shares of Common Stock, (ii) the combined voting power of the Company's then outstanding Voting Securities or (iii) the voting power to elect a majority of the Company's Board of Directors; 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. ("Unitrin") or Caroline W. Singleton, as the Sole Trustee of the Singleton Family Trust or the Singleton Group, L.L.C. (collectively referring to Caroline Singleton, Singleton Family Trust and Singleton Group L.L.C. as "Singleton"), the reference to twenty percent (20%) in this Section 17.6(a) and Section 17.6(c) shall be deemed to be forty-five percent (45%) for purposes of Unitrin and twenty-two percent (22%) for purposes of Singleton. 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); or

(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); or

(4) The sale or other disposition of all or substantially all of the assets of the Subsidiary which employs Executive 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.

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

17.8. Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which (i) impairs the Executive's ability to substantially perform his duties with the Company or an Employing Affiliate for six (6) consecutive months and (ii) is intended to be permanent, or last for a period of at least twelve (12) months or result in death.

17.9. 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 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 17.9(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.

17.10. 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.

17.11. 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.

17.12. 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.

17.13. 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.

17.14. 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 its duly authorized officers and the Executive has executed this Agreement as of the day and year first above written.

CURTISS-WRIGHT CORPORATION

By: _____

Martin R. Benante

Title: Chief Executive Officer

ATTEST: _____

Brian D. O'Neill, Secretary

By: _____

Executive

APPENDIX A

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

ASSET PURCHASE AGREEMENT

by and among

CURTISS-WRIGHT FLIGHT SYSTEMS, INC.,

CURTISS-WRIGHT CORPORATION,

VISTA CONTROLS, INC.,

LDS ACQUISITION CORP.,

LAU ACQUISITION CORPORATION

and

LAU DEFENSE SYSTEMS LLC

dated October 24, 2001

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of the 24th day of October, 2001, by and among Curtiss-Wright Flight Systems, Inc., a Delaware corporation ("CW Flight"), Curtiss-Wright Corporation, a Delaware corporation ("CW Corporation") (CW Flight and CW Corporation referred to collectively as "Buyer"), Lau Defense Systems LLC, a Massachusetts limited liability corporation ("LDS"), LDS Acquisition Corp., a Massachusetts corporation ("LDS Acquisition"), Lau Acquisition Corporation ("Lau"), a Massachusetts Corporation and Vista Controls Inc., a California corporation ("Vista") (LDS, LDS Acquisition and Vista are collectively referred to as "Sellers").

W I T N E S S E T H:

WHEREAS, Buyer desires to acquire all of Sellers' right, title and interest in and to the assets, business and properties used in connection with the Business of Sellers, and Sellers desire to transfer to Buyer all of such assets, business and properties.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

The following terms, when used in this Agreement, shall have the meanings indicated below:

Section 1 "Accounts Receivable" shall have the meaning ascribed to such term in Section 2.2 hereof.

Section 1.2 "Acquisition Agreements" shall mean this Agreement, the Assumption Agreement, the Transition Services Agreement, and any other agreements or instruments which are executed in connection with this Agreement in order to effectuate the transfer of any of the Purchased Assets or the assumption of any of the Assumed Liabilities, collectively.

Section 1.3 "Actual Gross Profit" shall have the meaning ascribed to such term in Section 2.7.

Section 1.4 "Affiliate" of any Person means any other Person controlling, controlled by or under common control with such first Person, where control means the possession, directly or indirectly, of the power to vote 50% or more of the voting securities or other equity interest of a Person.

Section 1.5 "Arbiter" shall have the meaning ascribed such term in Section 2.6.

Section 1.6 "Assumed Liabilities" shall have the meaning ascribed to such term in Section 2.4 hereof.

Section 1.7 "Assumption Agreement" shall mean the Assumption Agreement to be entered into between Buyer and Sellers with respect to the assumption of the Assumed Liabilities in substantially the form of Exhibit A hereto.

Section 1.8 "Balance Sheet" shall mean the unaudited pro forma consolidated balance sheet of the Business as of June 30, 2001, in the form provided to Buyer by LDS and as adjusted for the terms of this Agreement, annexed hereto as part of the Financial Statements in Exhibit B hereto.

Section 1.9 "Business" shall mean the products and/or services that Sellers offer for sale or lease or have under research and/or development as of the Closing Date of the transaction contemplated by this Agreement including, without limitation, defense electronics and anti-personnel sensors (including the TASS and Qupid programs), as well as Sellers' right to and in all operations and facilities used in the development and/or production of such products and/or services. The Business does not include any products, services, intellectual property, trade secrets or other assets of Lau or any of its Affiliates other than the Sellers or any other Excluded Assets, including, but not limited to, facial recognition technology.

Section 1.10....."Buyer" shall mean Curtiss-Wright Flight Systems, Inc. and Curtiss-Wright Corporation.

Section 1.11....."Cash Purchase Price" shall have the meaning ascribed to such term in Section 2.4 hereof.

Section 1.12....."Closing" and "Closing Date" shall have the meanings ascribed to such terms in Section 2.1 hereof.

Section 1.13....."Closing Date Net Book Value" shall mean the number obtained by subtracting (a) the sum of the liabilities of the Business existing on the Closing Date and reflected on the pro forma Closing Date balance sheet (excluding the corporate credit line from Lau), which constitute Assumed Liabilities, from (b) the sum of the tangible assets (other than cash) of the Business existing on the Closing Date and reflected on the Closing Date balance sheet, which constitute Purchased Assets. The Closing Date Net Book Value shall be calculated in accordance with the principles set forth in Section 2.6.

Section 1.14....."Closing Financial Statements" shall have the meaning ascribed to such term in Section 2.6 hereof.

Section 1.15....."Code" shall mean the Internal Revenue Code of 1986, as amended.

Section 1.16....."Contracts" shall mean all written leases (including

the Leases), agreements, contracts, licenses, purchase orders and other legally binding commitments of Sellers, including, without limitation, subcontracts from Lau under so-called Section 8(a) programs and the GM Cope joint venture.

Section 1.17....."Earnout", "Earnout Payment", "Earnout Period" and "Earnout Year" shall have the meanings ascribed to such terms in Section 2.7 hereof.

Section 1.18....."Employees" shall mean those Persons listed on Schedule 1.18.

Section 1.19....."Escrow Agent" shall have the meaning ascribed to such term in Section 2.4(b) hereof.

Section 1.20....."Escrow Funds" shall have the meaning ascribed to such term in Section 2.4 (b) hereof.

Section 1.21....."Excluded Assets" shall have the meaning ascribed to such term in Section 2.3 hereof.

Section 1.22....."Files and Records" shall have the meaning ascribed to such term in Section 2.2(a)(vii) hereof.

Section 1.23....."Final Adjustments Report" shall have the meaning ascribed to such term in Section 2.6 hereof.

Section 1.24....."Financial Statements" shall have the meaning ascribed to such term in Section 3.4 hereof.

Section 1.25....."GAAP" shall mean generally accepted U.S. accounting principles as applied on a basis consistent with the accounting policies and procedures used by Sellers in preparing the June 30, 2001 financial statements.

Section 1.26....."Governmental Body" shall mean any federal, state, local, foreign or other governmental or administrative body, instrumentality, department or agency or any court, tribunal, administrative hearing, arbitration panel, commission or similar dispute resolving panel or body.

Section 1.27....."HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

Section 1.28....."Inventories" shall have the meaning ascribed to such term in Section 2.2(a)(iv) hereof.

Section 1.29....."LDS Assets" shall have the meaning ascribed to such term in Section 2.2(a).

Section 1.30....."LDS Business" shall mean the products and/or services that LDS offers for sale or lease or have under research and/or development as of the Closing Date of the transaction contemplated by this Agreement including, without limitation, defense electronics and anti-personnel sensors (including the TASS and Qupid programs), as well as LDS' rights to and in all operations and facilities used in the development and/or production of such products and/or services. The Business does not include any products, services, intellectual property, trade secrets or other assets or rights of Lau or any of its Affiliates other than LDS or any other Excluded Assets, including, but not limited to, facial recognition technology.

Section 1.31....."Lau" shall mean Lau Acquisition Corp. d/b/a Lau Technologies.

Section 1.32..... "Leases" shall mean, collectively, the leasehold

interests in the real property listed on Schedule 2.2(m).

Section 1.33....."Legal Requirement" shall mean any federal, state, local, foreign or other administrative order, constitution, law, ordinance, regulation or statute.

Section 1.34....."Material Adverse Effect" shall mean a material adverse effect on the condition, results of operations, properties, or assets of the Business.

Section 1.35....."Person" shall mean any individual, corporation (including any nonprofit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

Section 1.36....."Pre-Closing Bonus" shall have the meaning ascribed to such term in Section 2.4 (d) hereof.

Section 1.37....."Prepaid Expenses" shall have the meaning ascribed to such term in Section 2.2(a)(i) hereof.

Section 1.38....."Proceeding" shall mean any action, arbitration, investigation, litigation, or suit (including any civil, criminal, administrative, investigative, or appellate proceeding) commenced, brought, conducted, or heard by or before any Governmental Body.

Section 1.39....."Purchased Assets" shall have the meaning ascribed to such term in Section 2.2(c) hereof.

Section 1.40....."Reference Net Book Value" shall mean the number obtained by subtracting (a) the sum of the liabilities of the Business reported on June 30, 2001 as set forth in the Balance Sheet (excluding the corporate credit line with Lau), which constitute Assumed Liabilities from (b) the sum of the tangible assets (other than cash) of the Business reported on June 30, 2001 as set forth in the Balance Sheet, which constitute Purchased Assets.

Section 1.41....."Representative" shall mean with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

Section 1.42....."Resource Allocations" shall have the meaning ascribed to such term in Section 2.7.

Section 1.43....."Sellers" shall mean Lau Defense Systems, LLC, LDS Acquisition Corp., and Vista Controls, Inc.

Section 1.44....."Sellers' Knowledge" shall mean the actual knowledge, as of October 24, 2001, of the employees of the Sellers or Lau who are listed on Schedule 1.44.

Section 1.45....."Stock" shall have the meaning assigned to such term in Section 2.2(b).

Section 1.46....."Tangible Personal Property" shall have the meaning ascribed to such term in Section 2.2(a)(iii) hereof.

Section 1.47....."Tax" or "Taxes" shall mean all material income, gross receipts, sales, stock transfer, excise, bulk transfer, use, employment, franchise, profits, or property taxes, fees, stamp taxes and duties, assessments, levies or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority with respect thereto.

Section 1.48....."Transition Services Agreement" shall mean the Transition Services Agreement to be entered into between Lau and/or Sellers and Buyer in substantially the form attached as Exhibit D hereto.

Section 1.49....."Unit" shall have the meaning ascribed to such term in Section 2.7 hereof.

ARTICLE II.

PURCHASE AND SALE

Section 2.1 Closing. The purchase and sale (the "Closing") provided for in this Agreement shall take place at 10:00 a.m. (Eastern Standard Time), on _____, 2001 at the offices of Hill & Barlow, a Professional Corporation, or at such other time, date, or place, as Buyer and Sellers may agree. The date on which the Closing shall take place is referred to as the "Closing Date." The Closing shall be deemed to be effective as of 12:01 a.m. (Eastern Standard Time) on the Closing Date.

Section 2.2 Purchase and Sale.

(a) At the Closing, Sellers will sell, convey, transfer, assign and deliver to CW Flight, and CW Flight will purchase from Sellers all of Sellers' right, title and interest in and to the assets of the LDS Business (collectively, the "LDS Assets") including, without limitation:

(i) All Sellers prepaid assets and prepaid expenses existing on the accounting records of Sellers relating to the LDS Business as of the Closing Date (the "Prepaid Expenses");

(ii) All accounts receivable of the LDS Business created in the ordinary course of business of Sellers and of the nature of those accounts receivable set forth on the Balance Sheet as of the Closing Date (collectively, the "Accounts Receivable");

(iii) All items of tangible personal property owned by Sellers used in the ordinary course of business of the LDS Business and on hand as of the Closing Date including, without limitation, tooling, machinery, equipment, furniture and fixtures and office equipment (collectively, the "Tangible Personal Property"); all assignable warranties and licenses issued to Sellers in connection with the Tangible Personal Property; and any assignable claims, credits and rights of recovery with respect to the Tangible Personal Property;

- (iv) The inventories of finished goods, raw materials, work in progress, repair stock, parts and supplies maintained by Sellers for the LDS Business which are on hand as of the Closing Date, but not including the inventory described on Schedule 2.3(g) (the "Inventories"); all assignable warranties and licenses issued to Sellers in connection with the Inventories; and any assignable claims, credits and rights of recovery with respect to the Inventories;
- (v) All Contracts of Sellers relating to the LDS Business, including those listed on Schedule 3.15 hereto;
- (vi) All of the intellectual property rights owned by the Sellers used for the LDS Business, including assignable licenses to any third party intellectual property used in the LDS Business and copyright in any documentation, product specifications, and software (source and machine code) for products and services that are part of the LDS Business;
- (vii) All papers and records in Sellers' care, custody or control which relate to any or all of the Purchased Assets and to the operations of the LDS Business, whether in hard copy, magnetic tape or other format including, without limitation, customer and prospective customer files, vendor and prospective vendor files, maintenance records, warranty and customer support obligation records, sales and advertising material, documentation, specifications, technical manuals, outstanding proposals and accounting and financial records, provided that Sellers will not be required to violate any confidentiality provisions of third parties relating to third party confidential information (collectively, "Files and Records");
- (viii) All of Sellers' assignable rights to memberships in trade organization and all of Sellers' certificates, licenses, permits, authorizations and approvals issued by any governmental authority, agency or other instrumentality in connection with the LDS Business;
- (ix) All rights and assets relating to the TASS and Qupid programs;
- (x) The right to use the corporate name "Lau Defense Systems" for a period of five (5) years dating from the Closing and the right to use the corporate name "LDS Acquisition Corp." from and after the Closing as corporate names and solely in connection with the Business and provided that Buyers will take reasonable measures to avoid confusion with Lau's use of the "Lau" name, trademark and service-mark;
- (xi) The right to sub-lease the leasehold interests in the office spaces at 24 Porter Road and 30 Porter Road in Littleton, MA, to the extent of the space depicted on Schedule 2.2 (m), on terms similar to those currently provided to LDS; and

(xii) All rights that Sellers and Lau have in the information technology system(s) used to perform Sellers' information technology requirements in connection with the Business, including but not limited to the hardware and software used in connection with the Power Growth information technology system, provided that Lau and Sellers shall be entitled to a reasonable transition period during which to obtain their own replacement information technology system(s).

(b) At the Closing, LDS and LDS Acquisition Corp. will sell, convey, transfer, assign and deliver to CW Corporation, and CW Corporation will purchase from LDS and LDS Acquisition all of the issued and outstanding capital stock of LDS Acquisition and Vista, and the related stock ledgers and corporate record books and all rights in the name "Vista Controls" (collectively, the "Stock").

(c) At the Closing and subsequent to the Closing, CW Flight will assume all of the obligations and liabilities associated with the LDS Assets to the extent set forth in this Agreement and CW Corporation will assume all of the obligations and liabilities associated with the Stock (Stock and LDS Assets referred to collectively as "Purchased Assets"), including all obligations associated with and requirements to perform under the Contracts.

Section 2.3 Excluded Assets. Notwithstanding Section 2.2 above, there shall be excluded from the Purchased Assets the following (collectively, the "Excluded Assets"):

- (a) Cash;
- (b) Any products, services, intellectual property, trade secrets, or other assets of Lau or any of its Affiliates other than the Sellers;
- (c) Any use of the "Lau" trademark other than in connection with "Lau Defense Systems" as provided in Section 2.2(a)(x);
- (d) Any asset or property that would otherwise be included in the Purchased Assets but the assignment or attempted assignment of which would be invalid or would constitute a breach of contract, including the Contracts; provided, however, that any asset or property referred to in this clause shall be held and/or received by Sellers or its Affiliates for the use and at the direction and for the benefit of Buyer or its designee (s);
- (e) The LDS limited liability operating agreement dated as of October 1, 1999, as amended, the LDS certificate of formation, and other documents relating to the organization, maintenance, and existence of LDS as a limited liability company;
- (f) The redemption agreements between LDS and certain of its members;

(g) All assets set forth on Schedule 2.3 (g), except that Sellers agree to maintain such assets in storage in a bonded warehouse during the Earnout Period (as such is defined in Section 2.7 of this Agreement) to be made available exclusively to Buyer for purchase during the Earnout Period. Seller agrees to sell to Buyer all assets set forth on Schedule 2.3 (g) at the greater of the then current market price for such assets or Seller's original cost, such cost documented as agreed to by Buyer and Sellers, provided that if such assets are no longer available in the market, then Buyer agrees that Sellers shall make the market and establish a reasonable market price, upon receipt of purchase orders from Buyer, and Buyer agrees not to purchase assets of the nature set forth on Schedule 2.3(g) from any other source during the Earnout Period unless Sellers' stock of such assets is fully depleted before the end of the Earnout Period; and

(h) The obligations of LDS under the Stock Purchase Agreement among LDS, LDS Acquisition, Vista and the former shareholders of Vista dated as of September 30, 1999 (the "SPA"), it being understood that LDS is not assigning such Agreement to the Buyer.

Section 2.4 Purchase Price; Payment; Assumed Liabilities; Allocation.

(a) In consideration for the purchase of the Purchased Assets, Buyer will pay, or will cause its Affiliates to pay, the Cash Purchase Price as set forth in Section 2.4(b) hereof, which shall be subject to adjustment as set forth in Section 2.5 hereof, and Buyer will assume, or will cause its designee(s) to assume, at the Closing, the Assumed Liabilities specified in Section 2.4(c) hereof.

(b) At the closing, Buyer will deliver to Sellers, or will cause its designee(s) to deliver to Sellers, on behalf of itself: (i) the sum of thirty six million nine hundred thousand dollars in U.S. currency (US\$ 36,900,000) (the "Cash Purchase Price"), such amount to be delivered by wire transfer to accounts specified by Sellers; and (ii) the sum of four million one hundred thousand dollars in U.S. currency (\$4,100,000), such amount to be delivered by wire transfer to an interest-bearing account established at Commerce Bank and Trust in Worcester, Massachusetts ("Escrow Agent") and to be held by such Escrow Agent as security against the post-closing obligations of Sellers (the "Escrow Funds") under the terms and conditions of the Escrow Agent's standard escrow agreement until eighteen months from the Closing Date, at which time the remaining Escrow Funds shall be wired to an account specified by the Sellers. The Cash Purchase Price shall be adjusted pursuant to Section 2.5 hereof, and the amount of any reduction in the Cash Purchase Price shall be paid to Buyer out of the Escrow Funds at the time of such adjustment. In the event that the Cash Purchase Price is increased by the adjustment provided for in Section 2.5, the additional funds shall be wired to the account specified by the Seller at the time of such adjustment. The interest earned by such Escrow Funds will inure to the benefit of the party or parties receiving the Escrow Funds pursuant to this Agreement. If the Parties both receive sums from the Escrow Funds, each party will receive a share of the interest in the percentage their share is of the total Escrow Funds.

(c) Effective as of the Closing Date (as defined below), and in addition to any other liabilities expressly assumed by Buyer under this Agreement, Buyer shall assume responsibility for the performance and satisfaction of the following (the "Assumed Liabilities"):

(1) All liabilities and obligations of the Sellers which are listed on the Balance Sheet other than the Sellers' obligations under their corporate credit line with Lau;

(2) All liabilities and obligations of the Sellers which have arisen or accrue after the date of the Balance Sheet in the ordinary course of business and which are of a type that would in accordance with GAAP be reflected on the balance sheet in the quarter in which they arise;

(3) All obligations of the Sellers under the agreements, contracts, leases, licenses, and other arrangements included in the Purchased Assets;

(4) By virtue of Buyer's purchase of Stock, and notwithstanding

Section 2.3(h) above, Buyer shall assume all of the liabilities and obligations of LDS Acquisition to the former shareholders of Vista relating to the earnout for the year ending September 30, 2002, as more particularly described in Section 1.2.3 of the SPA;

(5) All obligations and liabilities related to the ownership, use, possession or condition of the Purchased Assets arising on or after the Closing Date including the compliance requirements under the Contracts and any related government compliance or audit requirements;

(6) Liability for Taxes relating to the Purchased Assets with respect to any period or part thereof commencing immediately after the Closing Date; and

(7) Liability for any product liability including, without limitation, by operation of applicable law, in connection with products shipped by Buyer or otherwise relating to the Purchased Assets on or after the Closing Date.

The assumption by Buyer of all liabilities relating to the Agreements and the underlying Purchased Assets, including all Assumed Liabilities, shall be effective upon the Closing Date unless the terms hereof expressly state that such liabilities shall transfer at another time.

(d) Unless otherwise provided in the Agreements, Buyer will not assume or agree to pay, perform or discharge any liability or obligation of Sellers or their Affiliates other than the Assumed Liabilities. In particular but not to the exclusion of other liabilities, Buyer will not assume or agree to pay, perform or discharge any liability of the Sellers or their Affiliates relating to or arising out of any environmental conditions or for employee bonuses, if any, due to employees of the Business for the periods prior to the Closing Date ("Pre-Closing Bonus"). Sellers agree to pay any outstanding amounts due to any employees for any Pre-Closing Bonuses prior to the Closing Date.

(e) The Cash Purchase Price (and other capitalization costs) shall be allocated as specified in Exhibit E hereto for all purposes (including financial accounting and tax purposes). None of Buyer, Sellers or their respective Affiliates, shall file any tax return or take any position, tax or otherwise, or make any filing inconsistent with the allocations set forth in Exhibit E.

Section 2.5 Cash Purchase Price Adjustment. In accordance with the procedures set forth in Section 2.6, the Cash Purchase Price shall be either:

(a) decreased to the extent that the Reference Net Book Value is greater than the Closing Date Net Book Value; or

(b) increased to the extent the Reference Net Book Value is less than the Closing Date Net Book Value.

Section 2.6 Final Adjustments. Final adjustments to the Cash Purchase Price will be determined as follows:

(a) Buyer will prepare, in good faith and in accordance with GAAP a consolidated pro forma balance sheet of the Business as of the Closing Date (the "Closing Financial Statements"), together with a report (the "Final Adjustments Report"), based on the Closing Financial Statements, setting forth in reasonable detail Buyer's calculation of the Closing Date Net Book Value. Buyer shall deliver the Closing Financial Statements and Final Adjustments Report to Sellers within 90 days after the Closing Date. In preparing the Closing Financial Statements, Buyer will use the following practices. The closing date balance sheet ("Closing Date Balance Sheet") will be prepared in a proper and consistent basis in accordance with the standards, principles and practices utilized in the Balance Sheet. No change in accounting principles used in preparing the Balance Sheet will be made in preparing the closing date balance sheet of the Sellers. The Sellers' consolidated closing date balance sheet account will be prepared on a basis that is consistent with the Balance Sheet including, but not limited to, the following:

(i) For purpose of valuing Inventory and long-term contract balances: Inventory will be valued on a consistent basis between the Closing Date Balance Sheet and the Balance Sheet. Consistency would include the margins utilized in the calculation of the Inventory included in the PIR sheets as of June 30, 2001, which shall not change for the Closing Balance Sheet calculation based upon any judgmental changes regarding profitability of a job (i.e. margin change) with no activity since June 30, 2001; for any contracts that are materially closed out between June 30, 2001 and the Closing Balance Sheet, changes will be made only to comply with GAAP and Percentage-of-Completion accounting rules; the Inventory at Closing will include the actual overhead rate rather than the applied 150% overhead rate calculated by the system; all contract margins, including Estimate-at-Completion (EAC) margins, shall be calculated using the actual overhead rate rather than the applied 150% rate; and all stock/inventory with no value (i.e. capitalized labor and overhead on closed jobs) will be valued at zero in the Closing Date Balance Sheet.

(ii) For purposes of calculating depreciation and amortization:

the bases and rates of depreciation and amortization used in the Balance Sheet will be consistently applied at the Closing Date Balance Sheet. No changes to the depreciation and amortization rates as well as the accumulated balances, including retroactive changes, will be allowed in the interim period between the two balance sheets.

(iii) For the purposes of calculating provisions and accruals:

the Closing Balance Sheet shall only reflect decreases in provisions and accruals since the Balance Sheet that result from utilization of the provision or accrual (i.e. payment of services, use over time, etc.) and adjustments to the actual rates incurred up to the Closing Date, both according to GAAP rules. Any Changes in judgment between the two period will not be reflective in the Closing Date Balance Sheet.

(b) Within 30 days after receipt of the Closing Financial Statements and the Final Adjustments Report, Sellers shall notify Buyer of its objections to the Final Adjustments Report, if any. Any amount which is not in dispute shall, within five business days after the expiration of the review period, be paid by wire transfer in immediately available funds. Any payment to be made by Sellers shall be first paid from the Escrow Funds.

(c) The parties shall in good faith attempt to resolve any dispute with respect to the Final Adjustments Report and/or the Closing Financial Statements, such resolution of the dispute to be conclusive and binding upon the parties. If the parties do not reach agreement resolving the dispute within 15 days after notice is given by Sellers to Buyer pursuant to clause (b) above, the parties shall submit the dispute to a nationally recognized independent accounting firm mutually agreeable to the parties, which firm shall not have had a material relationship with either Buyer or Sellers or their respective Affiliates within the two years preceding the appointment (the "Arbiter"), for resolution. If the parties cannot agree on the selection of the independent accounting firm to act as Arbiter, the parties shall request the American Arbitration Association to appoint such a firm, and such appointment shall be conclusive and binding upon the parties. Promptly, but no later than 20 days after its acceptance of its appointment as Arbiter, the Arbiter shall determine, based solely on presentations by Buyer and Sellers, and not by independent review, only those issues in dispute and shall render a report as to the dispute and the resulting change in computations in the Final Adjustments Report and/or the Closing Financial Statements, if any, which shall be conclusive and binding upon the parties. In resolving any disputed item, the Arbiter shall use GAAP in the manner described in Section 2.6(a) above in determining balances in the balance sheet, and shall not take into account any changes in circumstance or events occurring after the close of business on the Closing Date. The fees, costs and expenses of the Arbiter (i) shall be borne by Buyer in the proportion that the aggregate dollar amount of such disputed items so submitted that are

unsuccessfully disputed by Buyer (as finally determined by the Arbiter) bears to the aggregate dollar amount of such items so submitted and (ii) shall be borne by Sellers in the proportion that the aggregate dollar amount of such disputed items so submitted that are successfully disputed by Buyer (as finally determined by the Arbiter) bears to the aggregate dollar amount of such items so submitted. Whether any dispute is resolved by agreement among the parties or by the Arbiter, changes to the Final Adjustments Report and the Closing Financial Statements shall be made hereunder only for items as to which Buyer has taken exception as provided herein. Buyer and Sellers each shall make available to the other (upon the request of the other) their respective work papers generated in connection with the preparation or review of the Final Adjustments Report and the Closing Financial Statements. The payment required after determination of all disputed amounts will be made by the responsible party therefor to the other party by wire transfer of immediately available funds within three business days after the final determination is made.

Section 2.7 Earnout Payment As more specifically described below, the Sellers may earn additional consideration ("Earnout") in the form of annual earnout payments (each an "Earnout Payment") depending on the ability of the Buyer and its subsidiaries, divisions and affiliates to achieve organic Gross Profit Growth from the Unit, as defined below, during the five Earnout Years (the "Earnout Period") following the Closing Date with respect to the gross profits base set forth below.

A base Earnout of \$12,500,000 will be allocated equally across the five-year Earnout Period, i.e. \$2,500,000 per year.

The Earnout Payment for each Earnout Year shall be equal to:

(Actual Gross Profit minus Gross Profit Base) X \$2,500,000 Projected Gross Profit Growth

For purposes of this calculation, the following values for the applicable Projected Gross Profit Growth and Gross Profit Base shall be used:

	Projected Gross Profit Growth	Gross Profit Base
2002	\$5,360,000	\$14,500,000
2003	\$8,117,000	\$15,000,000
2004	\$10,585,000	\$16,000,000
2005	\$13,572,000	\$17,000,000
2006	\$17,658,000	\$17,500,000

The maximum potential earnout is \$4,000,000 per year (unless there is an acceleration of remaining Earnout Payments due to a sale of all or part of the Unit), and the total maximum potential earnout of \$20,000,000 for the five-year Earnout Period. Buyer shall pay Earnout Payments to the Sellers within sixty (60) days of the end of each Earnout Year according to the payment instructions provided by Sellers unless such payments are accelerated as provided for herein. The attached Exhibit D shows an example of an Earnout calculation.

For purposes of this Section, the following definitions apply:

(a) The term "Actual Gross Profit" shall mean, for the applicable period, as determined in accordance with GAAP, the gross revenues attributable to the sale, lease, license, sublicense or distribution or other commercial use of products and services and related assets that comprise the Unit, as defined below, less (1) sales commissions payable to third parties, (2) unreimbursed freight and shipping charges, (3) refunds for returns, and (4) the direct labor, direct material costs and overhead costs in respect of such products and services, provided that if the manufacturing for the Business is relocated after the Closing Date to any facility other than those used by Sellers prior to the Closing, direct labor expenses shall not exceed the percent of direct labor and material costs set forth on Schedule 2.7 for the purposes of the Earnout Payments. If a product or service of the Unit is combined with another product or service of Buyer or its affiliates, divisions or subsidiaries, then gross revenue attributable to the products and services of the Unit shall be equal to the total gross revenue attributable to the combination product, multiplied by a fraction, the numerator of which is the then current stand-alone price (without discounts and not lower than reasonable market value) for such products and services of the Unit, and the denominator of which is the aggregate price of the combination products or services, where the non-Unit products or services included in the combination products or services are valued at current stand alone prices (without price increases attributable to the proposed combination).

(b) The term "Earnout Year" means those twelve (12) month periods commencing on January 1, 2002 and on subsequent anniversaries thereof.

(c) The term "Unit" means the business unit(s) of CW Flight, CW Corporation, and any of their subsidiaries, divisions and affiliates that (i) utilize the Purchased Assets and all enhancements, modifications, derivatives or developments thereto; and/or (ii) provide products and services in connection with programs and businesses listed on Schedule 2.7 (collectively, the "Unit").

From and after the Closing Date, Buyer agrees to (i) operate, or cause to be operated, the Business in good faith and in the ordinary course through December 31, 2006 to the end that the Buyer will not take any action, and will refrain from taking any action that could reasonably be expected to artificially lower or otherwise affect the annual Earnout Payment, (ii) provide Sellers' Representative with a segregated accounting of the Unit to enable Sellers to review the Earnout calculation; (iii) report all items of revenue and expense relating to the Unit in the periods in which they are incurred, (iv) provide the Chairman of LDS or his designee with an income statement for each Earnout Year within 90 days of such year end, (v) provide the Chairman of LDS or his designee with a calculation of the annual Earnout Payment within 90 days of the end of each Earnout Year, (vi) provide the Chairman of LDS or his designee with a quarterly balance sheet and income statement for the Unit, and (vii) provide the Chairman of LDS or his designee with a certification by the Chief Financial Officer of the Buyer that the items in the preceding clauses (iv), (v) and (vi) were prepared in accordance with GAAP.

Buyer agrees to a minimum yearly aggregate budget for marketing, general and administration and research and development for the Unit of US\$ 4,760,000 for the first Earnout Year and 6.8% of the prior year actual annual sales revenues of the Unit for all subsequent Earnout Years, excluding returned products (collectively, the "Resource Allocation"). Buyer's compliance with this requirement shall be measured in the aggregate, rather than by individual cost category, provided that the allocation of spending within the aggregate Resource Allocation shall reflect reasonable business judgments about how to increase the value of the Unit. If the Resource Allocations are not devoted to the Unit in any Earnout Year, Buyer shall pay the Seller the maximum potential Earnout Payment of \$4,000,000 for that Earnout Year. The sum of this payment plus the Earnout Payment actually made for that Earnout Year shall not exceed the maximum potential Earnout Payment, absent a sale or transfer of assets from the Unit, of \$4,000,000 per year.

If CW Corporation undergoes a Change in Control (as defined below) prior to December 31, 2006, then the obligations relating to this Earnout shall be assumed by the acquiring entity. In the event that such acquiring entity fails to make any required Earnout Payments within ten (10) business days of the date such Earnout Payments are due, the Earnout for all subsequent Earnout Years (and portions thereof) shall become immediately due and payable without further demand or notice, or, for disputed Earnout Payments, after pursuing to a final decision the arbitration procedures provided for in Section 13.12. For the purposes of this Section 2.7, "Change of Control" shall be defined as (i) the consolidation of CW Corporation with or acquisition of CW Corporation by another entity in a merger, stock purchase, or other reorganization in which the holders of the outstanding voting stock of CW Corporation immediately preceding the consummation of such event shall, immediately following such event, hold, as a group, less than a majority of the voting securities of the surviving or successor entity; or (ii) the sale of all or substantially all of CW Corporation's assets.

If Buyer or its affiliates, subsidiaries or divisions sell or otherwise transfer any of the assets, securities or any portion of the business of the Unit (the "Transferred Assets") to a third party prior to December 31, 2006, other than a sale of such assets in the ordinary course of business or as a result of a Change of Control of CW Corporation, then the present value (as calculated with a discount rate equal to the annual treasury bill rate at the time of the sale or transfer of Transferred Assets) of the maximum potential Earnout for all subsequent Earnout Years (prorated for partial years) shall become immediately due and payable with respect to the Transferred Assets, such payment to be calculated as follows. The maximum potential Earnout for all subsequent Earnout Years (prorated for partial years) shall be multiplied by a fraction, the numerator of which shall be the Actual Gross Profit attributable to the Transferred Assets between January 1, 2002 and the end of the most recent fiscal quarter preceding the transfer, and the denominator of which shall be the Actual Gross Profit of the Unit between January 1, 2002 and the end of the most recent fiscal quarter preceding the transfer (the "Percentage"). The Earnout shall continue to apply to the balance of the Unit with the yearly maximum potential Earnout, the Projected Gross Profit Growth, and the Gross Profit Base all reduced by the Percentage for purposes of calculating subsequent Earnout Payments.

Buyer and its subsidiaries, divisions and affiliates will permit LDS and its representatives to have access to all books and records and the right to review all Buyer activities necessary to evaluate the Earnout calculation, the Resource Allocation for each Earnout Year, the earnout obligations relating to the SPA, and Buyer's purchasing activities involving purchase of the assets specified in Schedule 2.3 (g) or similar assets during the Earnout Period.

If LDS disputes the Buyer's determination of any Earnout calculation, it shall notify Buyer in writing (a "Dispute Notice") within thirty (30) days of its receipt of the Buyer's determination. In the event of such a dispute, LDS and Buyer shall first use their best efforts to resolve the dispute. If the dispute cannot be resolved within ten (10) days, it shall be submitted, to an independent public accounting firm on which the Parties mutually agree (the "Accountant") for resolution. Within 30 days after submission of the dispute, the Accountant shall determine the Earnout calculation in accordance with this Agreement. The Accountant's determination shall be final and binding upon the Parties, and the Buyer shall immediately pay to the Seller any additional amount of Earnout due as a result of the Accountant's determination. The fees and expenses of Accountant shall be shared equally by LDS and Buyer.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers represent and warrant to Buyer that:

Section 3.1 Organization. LDS is a limited liability corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts. LDS Acquisition is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts. Vista is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Each of Sellers has all requisite corporate power and authority to own, lease and operate the properties of the Business, including the Purchased Assets, and to carry on the Business in the places where such properties are now owned, leased or operated, and such Business is now conducted. Each of the Sellers is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification except where failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.2 Authorization; Enforceability. Sellers have all requisite corporate power and authority to enter into each Acquisition Agreement to which it is a party and to perform its obligations hereunder and thereunder. All acts required to be taken by Sellers to authorize the execution and delivery of the Acquisition Agreements to which they are a party, and the consummation of the transactions contemplated herein and therein, have been taken, and no other

corporate proceedings on the part of Sellers are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed and delivered by Sellers and constitutes a legal, valid and binding obligation of Sellers, enforceable against Sellers in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy and other laws affecting creditors' rights, or by general equitable principles. Each Acquisition Agreement to which Sellers are a party will be, as of the Closing, duly executed and delivered by Sellers and will constitute a legal, valid and binding obligation of Sellers in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy and other laws affecting creditors' rights, or by general equitable principles. The execution and performance of each Acquisition Agreement, and the compliance with the provisions hereof and thereof by Sellers, will not conflict with, violate or result in the breach of any of the terms, conditions or provisions of the respective charter or by-laws of Sellers, as the case may be, or any judgment, order, injunction, decree, law, regulation or ruling of any Governmental Body to which Sellers, the Purchased Assets and/or the Business are subject, except where the same would not impede Sellers' ability to perform its obligations under the Acquisition Agreements or have a Material Adverse Effect. Except as indicated on Schedule 3.2 hereto, the execution and performance of each Acquisition Agreement, and the compliance with the provisions hereof and thereof by Sellers, will not result in any breach of any of the terms or conditions of, or constitute a default under, any license, indenture, mortgage, agreement or other instrument to which any of Sellers is a party or by which it is bound, except where such breach or default would not impede Sellers' ability to perform their obligations under the Acquisition Agreements or have a Material Adverse Effect.

Section 3.3 Capitalization. The authorized capital stock of LDS Acquisition consists of 200,000 shares of common stock, \$.01 par value, of which 10,000 shares are issued and outstanding. The authorized capital stock of Vista consists of 1,000,000 shares of common stock, no par value of which 7,200 shares are issued and outstanding. All of such issued and outstanding shares are validly issued, fully paid and nonassessable and will be transferred to Buyer free and clear of any liens or encumbrances. There are no outstanding or authorized options, warrants or similar agreements to which any of the Sellers are a party providing for the issuance or acquisition of any of the capital stock of LDS Acquisition or Vista.

Section 3.4 Financial Statements. Exhibit A hereto contains the unaudited Balance Sheet of the Business as of June 30, 2001 and the related statement of income for the period then ended (collectively, the "Financial Statements"). Such Financial Statements, except for the absence of footnotes (i) are in accordance with the books and records of each of the Sellers, (ii) are accurate in all material respects, (iii) fairly present, in all material respects, the financial condition and the results of operations of the Business as at and for the twelve month period ending December 31, 2000, for the six month period ending June 30, 2001 and for the three month period ending March 31, 2001, and (iv) have been prepared in accordance with GAAP. To the Sellers' Knowledge, the Sellers do not have any debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, whether due or to become due, related to the Business, that is not reflected or reserved against in the Financial Statements or set forth in the Exhibits and Schedules hereto, except for those which are not required by GAAP to be included in a balance sheet.

Section 3.5 Government Approvals. Except for the filing requirements under the HSR Act and as set forth on Schedule 3.5 hereto, the Sellers are not required to submit any notice, report or other filing with, or obtain any

consent, approval or waiver from, any Governmental Body in connection with its execution, delivery or performance of the Acquisition Agreements, or the consummation of the transactions contemplated herein or therein, except for notice, consent and approval requirements associated with Contracts in which a Government Body is a party, and except where the failure to make such submission or obtain such consent, approval or waiver, would not have a Material Adverse Effect and would not impede Sellers' ability to perform its obligations under the Acquisition Agreements.

Section 3.6 Fixed Assets; Properties; Liens. Sellers own or lease, subject only to the terms of the Contracts and the matters permitted by the following sentence, all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) included in the Purchased Assets. All properties and assets included in the Purchased Assets are free and clear of all liens and encumbrances.

Section 3.7 Condition of Assets. Except as set forth in Schedule 3.7 hereto, to the Seller's knowledge, the buildings, plants, structures, and equipment included in the Purchased Assets are structurally sound and are in reasonable operating condition, ordinary wear and tear excepted, and the Sellers are in material compliance with their maintenance obligations under their respective real property leases.

Section 3.8 Taxes. Each of Sellers and their Affiliates have filed or caused to be filed on a timely basis all Tax returns that are or were required to be filed by them or with respect to it as a member of a group of corporations. All of Sellers' and Affiliates' Taxes required to have been paid on or prior to the date hereof have been paid in full. All Taxes that Sellers or the Affiliates is or was required to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body or other entity or Person. Except as set forth in Schedule 3.8 hereto, there are no assessments against Sellers with respect to Taxes that have been issued and are outstanding. Except as set forth on Schedule 3.8, there is no Tax deficiency outstanding or assessed or proposed against either Sellers that is not reflected as a liability on the Balance Sheet nor have Sellers executed any agreements or waivers extending any statute of limitations on or extending the period for the assessment or collection of any Tax.

Section 3.9 Compensation. Sellers have previously delivered to Buyer a schedule listing the date of hire and salary of each of the Employees. Other than as set forth in Schedule 3.9 hereto, Sellers are not a party to any employment agreement with respect to any of the Employees, or to any union Contract.

Section 3.10 Employee Benefit Plans. Except as set forth on Schedule 3.10 hereto, Sellers do not have any pension or other employee benefit plans which are subject to the provisions of Title IV of the Employee Retirement Income Security Act of 1974, as amended, the application of which could give rise to direct or contingent liabilities by Buyer to the Pension Benefit Guaranty Corporation.

Section 3.11 Compliance With Legal Requirements. Except as set forth in Schedule 3.11 hereto, to the best of Sellers' Knowledge, the Sellers have conducted the Business in compliance with all applicable Legal Requirements, except for such noncompliance as would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.12 Legal Proceedings; Orders. Except as set forth on Schedule 3.12 hereto, there are no Proceedings pending or, to the best of Sellers' Knowledge, threatened, before any Governmental Body, against any of the Sellers involving, affecting or relating to the Business, the Purchased Assets or the transactions contemplated by this Agreement, except for those which would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in Schedule 3.12, there is no judgment, order, injunction or decree of any Governmental Body to which either of the Sellers, or any of the Purchased Assets is subject.

Section 3.13 Absence of Certain Changes and Events. Except as set forth in Schedule 3.13 hereto, since September 1, 2001, Sellers have conducted their business only in the ordinary course of business and no event, circumstance or condition has occurred that has caused a Material Adverse Effect.

Section 3.14 Intellectual Property Assets. Sellers do not own any patents or patent applications. Except as set forth on Schedule 3.14, Sellers own or are the authorized licensees of the software and documentation and product specifications that are used in the Business (other than off-the-shelf software, licenses pursuant to "shrink wrap" or click licenses, all of which are used in the Business in the ordinary course), free and clear of all liens, and all of the intellectual property assets owned by Sellers and used in the Business ("Intellectual Property Assets") are included in the assets and properties to be transferred hereunder. Sellers have not received written notice of any claims, disputes, actions, proceedings, suits or appeals pending against them with respect to any of the Intellectual Property and none has been overtly threatened within the last twelve months, except such as would not, individually or in the aggregate, have a Material Adverse Effect. To Sellers' Knowledge, the use of the Intellectual Property Assets does not infringe the property rights of any third party.

Section 3.15 Contracts. Schedule 3.15 hereto sets forth a list of all material Contracts which involve remaining consideration in excess of \$50,000, the term of which has not expired or been terminated. Except where the same would not have a Material Adverse Effect, each such Contract is legal, valid, binding and enforceable against any Seller that is a party thereto in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy or other laws affecting creditors' rights, or by general equity principles, and is in full force and effect on the date hereof. Sellers have not received any written notice of default that has not been cured in respect of, any such Contract. To Sellers' Knowledge, no party to any such Contract is in default in respect thereof and no event has occurred which, with due notice or lapse of time or both, would constitute such a default, except where such a default would not have a Material Adverse Effect. Sellers have made available to Buyer true and complete copies of all of such Contracts. Except as set forth on Schedule 3.15 hereto or where the failure to obtain such consent would not have a Material Adverse Effect, and taking into account the provision in Section 2.3(d) allowing for Sellers to hold any Contracts on behalf of Buyer until consent to assign such Contracts to Buyer is obtained. Such Contracts included in the Purchased Assets are assignable to Buyer without any required consent of any other Person.

Section 3.16 Labor Relations; Compliance. Except as set forth in Schedule 3.16 hereto, neither Sellers are a party to any collective bargaining or other union Contract. There is not presently pending or existing and threatened, any strike, slowdown, picketing or other work stoppage. Except as set forth in Schedule 3.16 hereto, to the Sellers' Knowledge, Sellers have complied with all Legal Requirements relating to employment, equal employment opportunity, nondiscrimination, absence of sexual or other harassment, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health, and plant closing except for such noncompliance which, individually or in the aggregate, would not have a Material Adverse Effect.

Section 3.17 Insurance. Schedule 3.17 is a true and complete list of all insurance policies held by the Sellers. All such insurance policies are in full force and effect.

Section 3.18 Real Property. Sellers do not own any real property used or held for use in connection with the Business.

Section 3.19 Brokerage. Except for fees payable to Windsor Group, LLC, Sellers have not incurred, directly or indirectly, any obligation or liability, contingent or otherwise, for any brokerage fees, finder's fees, agent's commissions or other like payment in connection with this Agreement, or the transactions contemplated herein.

Section 3.20 Accounts Receivable. To Sellers' Knowledge, all accounts receivable being transferred as assets of the Business are collectible in the ordinary course of business and are not subject to any valid defenses to the right to collect.

Section 3.21 Inventory. All amounts shown for inventory on the Balance Sheet, as adjusted for the inventory set forth on Schedule 2.3 (g), have been determined in accordance with GAAP consistently applied in all material respects, including but not limited to adjustments for scrap, excess and/or obsolete material and the Inventory has not been engineered out of current or planned products as of the Closing Date.

Section 3.22 Gross Profit Margins. The Gross Profit Margins set forth on Schedule 3.22, representing Contracts with unperformed balances of \$500,000 or more as of the Closing Date, are complete and accurate as of October 20, 2001 and have been determined in accordance with Sellers' historic practices and GAAP as of the Closing Date.

Section 3.23 Rights to TASS and Qupid Programs. All of Lau's rights to and in the TASS and Qupid programs have been assigned to Sellers.

Section 3.24 Price Adjustment. Provided that Sellers maintain control of all negotiations under the contract between LDS and United Defense, L.P. relating to the Bradley Program (a multiyear contract with purchase order number BV0003144), Sellers represent that there will be no downward adjustment in the contract price as a result of a United Defense, L.P. Audit under such contract provided that LDS performs its obligations under such contract after the Closing Date.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers that:

Section 4.1 Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

Section 4.2 Authorization; Enforceability. Buyer has all requisite corporate power and authority to enter into each Acquisition Agreement, and to perform its obligations hereunder and thereunder. All acts required to be taken by Buyer to authorize the execution and delivery of each Acquisition Agreement, and the consummation of the transactions contemplated herein and therein, have been taken, and no other corporate proceedings on the part of Buyer are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy and other laws affecting creditors' rights, or by general equitable principles. Each Acquisition Agreement will be, as of the Closing, duly executed and delivered by Buyer, and will constitute legal, valid and binding obligations of Buyer in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy and other laws affecting creditors' rights, or by general equitable principles. The execution and performance of each Acquisition Agreement, and the compliance with the provisions hereof and thereof by Buyer, will not conflict with, violate or result in the breach of any of the terms, conditions or provisions of the Certificate of Incorporation or by-laws of Buyer, or any judgment, order, injunction, decree, law, regulation or ruling of any Governmental Body to which Buyer is subject, except where the same would not impede Buyer's ability to perform its obligations under the Acquisition Agreements or have a material adverse effect on the condition, results of operations, properties, assets or business of Buyer, taken as a whole. The execution and performance of each Acquisition Agreement, and the compliance with the provisions hereof and thereof by Buyer, will not result in any breach of any of the terms or conditions of, or constitute a default under, any license, indenture, mortgage, agreement or other instrument to which Buyer is a party or by which it is bound, except where such breach or default would not impede Buyer's ability to perform its obligations under the Acquisition Agreements or have a material adverse effect on the condition, results of operations, properties, assets or business of Buyer, taken as a whole.

Section 4.3 Government Approvals. Except for the filing requirements under the HSR Act and as set forth in Schedule 4.3 hereto, Buyer is not required to submit any notice, report or other filing with, or obtain any consent, approval or waiver from, any Governmental Body in connection with its execution, delivery or performance of the Acquisition Agreements, or the consummation of the transactions contemplated herein or therein, except where the failure to make such submission or obtain such consent, approval or waiver, would not have a material adverse effect on the condition, results of operations, properties, assets or business of Buyer, taken as a whole and would not impede Buyer's ability to perform its obligations under the Acquisition Agreements.

Section 4.4 Brokerage. Except with respect to its arrangement with Philpott, Ball & Werner, Buyer has not incurred, directly or indirectly, any obligation or liability, contingent or otherwise, for any brokerage fees, finder's fees, agent's commissions or other like payment in connection with this Agreement, or the transactions contemplated herein.

Section 4.5 Investment. The Buyer is not acquiring the Stock with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act of 1933, as amended.

ARTICLE V.

COVENANTS OF SELLERS

Section 5.1 Access and Investigation. Between the date of this Agreement and the Closing Date, Sellers will (a) afford Buyer and its Representatives, access to each of the Sellers' personnel, properties, Contracts, books and records, on reasonable notice and during regular business hours, and (b) furnish Buyer with such additional financial, operating, and other data and information in the Sellers' possession as Buyer may reasonably request.

Section 5.2 Conduct of Business. Prior to the Closing Date, Sellers will (a) conduct the Business only in the ordinary course of business; and (b) use their reasonable efforts to preserve intact their current business organization, retain the services of their present officers, employees, agents and sales representatives, and preserve the relations and goodwill with their suppliers, customers, landlords, creditors, Employees, agents and others having business relations with the Sellers.

Section 5.3 Required Approvals. As promptly as practicable after the date of this Agreement, Sellers will, and Sellers will cause their applicable Affiliates to, make all filings required by Legal Requirements to be made by them in order to consummate the contemplated transactions (including all filings under the HSR Act). Between the date of this Agreement and the Closing Date, Sellers will, and Sellers will cause their applicable Affiliates to, (a) cooperate with Buyer with respect to all filings that Buyer is required by Legal Requirements to make in connection with the transactions contemplated hereby, and (b) cooperate with Buyer in obtaining all consents identified in Schedule 4.3 hereto.

Section 5.4 No Negotiation. Until such time, if any, as this Agreement is terminated pursuant to Article XI, Sellers and their Affiliates will not, nor will Sellers permit any entity that they control or any of their respective Representatives to, directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than Buyer) relating to any transaction involving the sale of the Business or assets (other than in the ordinary course of business) of Sellers or any of the securities of the Sellers, or any merger, consolidation, business combination, or similar transaction involving Sellers.

Section 5.5 Additional Information. Sellers shall promptly furnish to Buyer all such financial and operating reports with respect to the Business as may be prepared by them from time to time between the date hereof and the Closing Date as Buyer may reasonably request. Sellers shall make available to Buyer information with respect to any document, event, transaction or condition entered into or occurring after the date hereof which, had it occurred or been in effect on or prior to the date hereof, would have been included on the Schedules to this Agreement, and any such information which would have been included on a Schedule shall be deemed to amend the relevant Schedule when so provided.

Section 5.6 Reasonable Efforts. Sellers will use their reasonable efforts to effectuate the transactions hereby contemplated and to fulfill the conditions to Buyer's obligations under Article VII of this Agreement.

Section 5.7 Non Solicitation; Non-Interference. At no time after the date hereof until the fifth anniversary of the Closing Date shall the Sellers, Lau or their Affiliates and/or any entity it controls:

directly or indirectly, in any capacity or in association with any other person, solicit, induce, or in any manner attempt to solicit or induce, any Employees to terminate his or her employment or to become their employees, or

directly or indirectly, interfere with Buyer's relationship with, cause the cancellation, discontinuation, termination or alteration (in a manner detrimental to Buyer) of Buyer's relationship with any party who is a customer, supplier, or manufacturer with respect to the Business.

ARTICLE VI.

COVENANTS OF BUYER

Section 6.1 Required Approvals. As promptly as practicable after the date of this Agreement, Buyer will, and will cause each of its applicable Affiliates to, make all filings required by Legal Requirements to be made by them in order to consummate the contemplated transactions (including all filings under the HSR Act). Between the date of this Agreement and the Closing Date, Buyer will, and will cause each of its applicable Affiliates to,

(a) cooperate with Sellers and the Affiliates with respect to all filings that either Sellers and the Affiliates is required by Legal Requirements to make in connection with the transactions contemplated hereby, and

(b) cooperate with Sellers and the Affiliates in obtaining all consents identified in Schedule 3.5 hereto.

Section 6.2 Employee and Employee Benefits.

(a) Hiring. At the Closing Date, Buyer will offer to employ on an at-will basis (except where otherwise contemplated by this Agreement) each of Sellers' Employees listed on Schedule 1.18, on substantially the same terms and conditions, including position, rates of pay, service and credit, subject to changes as may be made by Buyer in the ordinary course of business after the Closing Date. The individuals who accept Buyer's offer hereunder are hereinafter referred to as the "Assumed Employees." Buyer shall not take any action with respect to Employees who become employees of Buyer or its Affiliates on the Closing Date

which could create Worker Adjustment and Retraining Notification Act liabilities for, or in any Affiliates thereof, Sellers or its Affiliates.

(b) Welfare Benefits. Commencing as of 12:01 a.m. on the Closing Date, Buyer shall provide the Assumed Employees and their dependents and beneficiaries (collectively with such Assumed Employees, the "Eligible Individuals") Employee Welfare Benefit Plan (including severance plans) coverages (i) in each case as provided by Buyer's comparable Employee Benefit Plan, (ii) without application or reapplication of any elimination or waiting period, eligibility period (other than such periods as may be generally applicable to Buyer's employees, and subject to (iii) following), or exclusion of pre-existing condition, and (iii) crediting each Assumed Employee's service with Seller through the Closing Date as though such service had been performed with Buyer for purposes of participation in Buyer's Employee Benefit Plans including, without limitation, vacation, vacation pay, severance benefits, service awards, Buyer's 401(k) Plan, and health plans, except as otherwise agreed to by Sellers and Buyer. The parties acknowledge that the Buyer is not assuming any of the Seller's Employee Benefit Plans. Upon the Closing Date, the Buyer shall assume the obligation to make COBRA coverage available to the Eligible Individuals under its group health plan.

(c) 401(k) Plan. The parties acknowledge that Buyer is not assuming the 401(k) plan covering Seller's employees ("Sellers' 401(k) Plan"). Each Assumed Employee instead shall be eligible to participate in the 401(k) plan administered by the Buyer for employees of Buyer ("Buyer's 401(k) Plan") commencing as of the Closing Date pursuant to the terms of the Buyer's 401(k) Plan. Service of the Assumed Employees with Seller through the Closing Date shall be taken into account for purposes of participation in Buyer's 401(k) Plan. If an Assumed Employee desires to rollover his or her account balance at the time of distribution from the Seller's 401(k) Plan, Buyer and Seller shall reasonably cooperate to facilitate the rollover of each electing Assumed Employee's account balance from Seller's 401(k) Plan to Buyer's 401(k) Plan.

(d) Employment Tax Filings. Buyer and Seller agree that, with respect to each Assumed Employee, each of Buyer and Seller will follow the alternative procedures for employment tax filings that are set out in Section 5 of IRS Rev. Proc. 96-60 and that Buyer shall include on Forms W-2 filed for each Assumed Employee (i) the entire amount of each Assumed Employee's wages and other compensation for the 2001 calendar year and (ii) the entire amount of Tax withheld and paid during the 2001 calendar year in connection with amounts paid or owing to each Assumed Employee.

Section 6.3 Reasonable Efforts. Buyer will use its reasonable efforts to effectuate the transactions hereby contemplated and to fulfill the conditions to Sellers' obligations under Article VIII of this Agreement.

ARTICLE VII.

CONDITIONS TO BUYER'S OBLIGATIONS

All obligations of Buyer under this Agreement are subject to the fulfillment, at the Closing, of each of the following conditions, any or all of which may be waived in whole or in part at or prior to the Closing by Buyer:

Section 7.1 Accuracy of Representations and Warranties. All the representations and warranties of Sellers contained in this Agreement shall be accurate in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of such time, except for such changes therein as are contemplated by this Agreement.

Section 7.2 Sellers' Performance. Sellers shall have performed and complied in all material respects with all agreements and conditions on its part required by this Agreement to be performed or complied with prior to or at the Closing Date.

Section 7.3 Officer's Certificate. Buyer shall have received a certificate of an officer of Sellers, dated the Closing Date, certifying on behalf of Sellers as to the fulfillment of the conditions specified in Sections 7.1 and 7.2 hereof.

Section 7.4 Governmental Consents. Sellers shall have made all filings and petitions required to be made by them prior to the Closing Date (and all applicable waiting periods shall have expired), and Buyer shall have received all consents, approvals, authorizations and permits required to be obtained prior to the Closing Date from all governmental and regulatory authorities in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions hereby contemplated, as set forth on Schedule 3.5.

Section 7.5 HSR. Sellers shall have made all pre-merger notification filings required to be made by them under the HSR Act, and all applicable waiting periods thereunder shall have expired or been terminated without any request from any appropriate governmental agency for additional information or, if additional information has been requested, all applicable extended waiting periods shall have expired and no party to this Agreement shall have received notice from the Federal Trade Commission or the Department of Justice that the transactions contemplated by this Agreement violate the Federal Trade Commission Act or the Clayton Act.

Section 7.6 No Injunctions. No court, agency or other authority shall have issued any order, decree or judgment to set aside, restrain, enjoin or prevent the performance of Buyer's obligations hereunder, nor shall there be pending any suit, action or proceeding requesting such relief or remedy.

Section 7.7 Consents. There shall have been obtained the consent, in form and substance reasonably satisfactory to counsel for Buyer, of each other party to those Contracts specified as requiring such consent on Schedule 3.15 hereto, the failure to obtain which consents, individually or in the aggregate, would have a Material Adverse Effect.

Section 7.8 Conveyances. Buyer shall have received all conveyances, deeds, assignments, bills of sale, confirmations, and further instruments as shall be necessary in order to complete the conveyances, transfers, assignments and deliveries provided for herein and to convey to Buyer the Purchased Assets.

Section 7.9 Lease Agreement. Sellers or their Affiliates, as the case may be, shall have transferred their subleases relating to the Leases to Buyer.

Section 7.10 Employment Agreements. Buyer shall have entered into mutually satisfactory employment agreements with Messrs. Andrew Davis, Phil Hamilton, Henry Squillante, Darwin Beckel, Dennis Lussier, Paul Malchodi, Richard Copra, Lance Martin, David Dietz, Gorky Chin and Ron Rambin and Ms. Pushpa Dixit.

Section 7.11 Adequate Customer Assurances. Buyer shall have received adequate assurances from the customers of the Sellers that Buyer's acquisition of Sellers' assets will have no material effect on the customers' future plans to conduct business with the Buyer as the operator of the Business.

Section 7.12 Schedules and Exhibits. Sellers and Buyer shall have agreed to the form and content of all Schedules and Exhibits to this Agreement.

Section 7.13 Transition Services Agreement. Sellers or Lau, as the case may be, shall have executed and delivered the Transition Services Agreement.

ARTICLE VIII.

CONDITIONS TO SELLERS' OBLIGATIONS

All obligations of Sellers under this Agreement are subject to the fulfillment, at the Closing, of each of the following conditions, any or all of which may be waived in whole or in part at or prior to the Closing by Sellers:

Section 8.1 Accuracy of Representations and Warranties. All the representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of such time, except for such changes therein as are contemplated by this Agreement.

Section 8.2 Buyer's Performance. Buyer shall have performed and complied in all material respects with all agreements and conditions on its part required by this Agreement to be performed or complied with prior to or at the Closing Date.

Section 8.3 Officer's Certificate. Sellers shall have received a certificate of an officer of Buyer, dated the Closing Date, certifying on behalf of Buyer as to the fulfillment of the conditions specified in Sections 8.1 and 8.2 hereof.

Section 8.4 Governmental Consents. Buyer shall have made all filings and petitions required to be made by it prior to the Closing Date (and all applicable waiting periods shall have expired), and Sellers shall have received all consents, approvals, authorizations and permits required to be obtained

prior to the Closing Date from all governmental and regulatory authorities in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions hereby contemplated, set forth on Schedule 4.3.

Section 8.5 HSR. Buyer shall have made all pre-merger notification filings required to be made by it under the HSR Act, and all applicable waiting periods thereunder shall have expired or been terminated without any request from any appropriate governmental agency for additional information or, if additional information has been requested, all applicable extended waiting periods shall have expired and no party to shall have received notice from the Federal Trade Commission or the Department of Justice that the transactions contemplated by this Agreement violate the Federal Trade Commission Act or the Clayton Act.

Section 8.6 No Injunctions. No court, agency or other authority shall have issued any order, decree or judgment to set aside, restrain, enjoin or prevent the performance of Sellers' obligations hereunder, nor shall there be pending any suit, action or proceeding requesting such relief or remedy.

Section 8.7 Purchase Price. Sellers shall have received the Cash Purchase Price payable to it from Buyer pursuant to Section 2.4 hereof, by wire transfer of immediately available funds to a bank account designated by it.

Section 8.8 Assumption Agreement. Buyer shall have executed and delivered to Sellers the Assumption Agreement.

Section 8.9 Lease Agreements. Buyer shall have entered into sub-leases for the Leases and assumed the obligations thereunder.

Section 8.10 Employment Agreements. Buyer shall have entered into mutually satisfactory employment agreements with the individuals named in Section 7.10.

Section 8.11 Schedules and Exhibits. Sellers and Buyer shall have agreed to the form and content of all Schedules and Exhibits to this Agreement.

Section 8.12 Transition Services Agreement. Buyer shall have executed and delivered the Transition Services Agreement.

ARTICLE IX.

POST-CLOSING COVENANTS

Section 9.1 Further Assurances. From and after the Closing Date, each party to this Agreement shall (or shall cause its applicable Affiliate to), at any time and from time to time, at the requesting party's cost and expense, make, execute and deliver, or cause to be made, executed and delivered, such assignments, assumptions, deeds, bills of sale, filings and other instruments, consents and assurances and take or cause to be taken all such action as the other party may reasonably request to carry out the terms of this Agreement. In addition, each party agrees to, and will cause its and its Affiliates' Representatives to, cooperate fully with the other party in connection with any Proceeding which relates to the operation or activities of the Business prior to the Closing Date.

Section 9.2 Retention of Records. After the Closing, Sellers and their Affiliates and Representatives shall, upon reasonable notice to Buyer, have access during usual business hours to the books and records of the Business for all periods prior to the Closing Date for all reasonable business and tax purposes and may make copies or extracts from such books and records for all reasonable business and tax purposes. Buyer agrees to retain the books and records of the Business prior to the Closing Date for at least ten years after the Closing Date except where longer records retention is required by applicable law (including Internal Revenue Service requirements).

Section 9.3 Litigation Support. In the event and for so long as any party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (a) any transaction contemplated under this Agreement or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving Sellers, each of the other parties will cooperate with the contesting or defending party and his or its counsel in the contest or defense, make available its personnel, and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defense, all (solely with respect to third party costs) at the sole cost and expense of the contesting or defending party (unless the contesting or defending Party is entitled to indemnification therefor under Article XII below).

Section 9.4 Payment of Liabilities. The Buyer shall pay, perform or otherwise discharge when due all liabilities and obligations assumed by it pursuant to the terms of this Agreement.

Section 9.5 No Section 338 Election. The Buyer agrees not to file by election under Section 338 of the Code with respect to the transactions contemplated hereby.

ARTICLE X.

NONCOMPETITION

Section 10.1 Noncompetition. Sellers, Lau and their Affiliates covenant and agree, that, for a period of five (5) years from the Closing Date, they will not, anywhere in the world, directly or indirectly engage in or own, operate, advise or manage any Person engaged in the Business.

Section 10.2 Breach. In the event of a breach, or threatened breach of the provisions of this Article X, in addition to any other remedies Buyer may have at law or in equity, Buyer shall be entitled to seek an injunction or similar remedy so as to enable it specifically to enforce such provisions.

Section 10.3 Severability. It is the desire and intent of the parties hereto that the provisions of this Article X be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this

Article X should be adjudicated to be invalid or unenforceable, such portion shall be deleted and such deletion shall apply only with respect to the operation of this Article X in the particular jurisdiction in which such adjudication is made. To the extent any provision hereof is deemed unenforceable by virtue of its scope in terms of area or length of time, but may be enforceable with limitations thereon, the parties agree that the same shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction in which enforcement is sought.

ARTICLE XI.

TERMINATION AND ABANDONMENT

Section 11.1 Termination. This Agreement may be terminated at any time prior to or on the Closing Date:

(a) by mutual consent of Buyer and Sellers;

(b) by either Buyer or Sellers, if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations) on or before December 31, 2001 or such later date as Buyer and Sellers may agree upon;

(c) by Buyer, if there has been a material violation or breach by Sellers or of any agreement, representation or warranty contained in this Agreement, or if the satisfaction of any condition to the obligations of Buyer or its Affiliates hereunder becomes impossible, and such violation, breach or condition has not been waived by Buyer; or

(d) by Sellers, if there has been a material violation or breach by Buyer of any agreement, representation or warranty contained in this Agreement, or if the satisfaction of any condition to the obligations of Sellers hereunder becomes impossible, and such violation, breach or condition has not been waived by Sellers. Section 11.2 No Waiver. No termination pursuant to Section 11.1 hereof shall be deemed to constitute a release or waiver by any party to this Agreement of any claim against another party hereto based on any breach by such party of its agreements, representations and warranties contained herein.

ARTICLE XII.

INDEMNIFICATION

Section 12.1 Indemnity by Sellers and Lau. Sellers and Lau agree to indemnify and hold harmless Buyer and its Affiliates, employees, agents and representatives from and against, and to reimburse Buyer and its Affiliates, employees, agents and representatives in accordance with this Article XII with respect to, any and all loss, damage, liability, claims, cost and expense (but excluding lost profits and speculative damages), including reasonable attorneys', accountants' and experts' fees, incurred by Buyer or its Affiliates by reason of or arising out of or in connection with:

- (i) the material breach of any representation or warranty contained in Article III hereof;
- (ii) the material failure of Sellers to perform any obligation required by this Agreement to be performed by it; or
- (iii) any liability or obligation of Sellers that is not an Assumed Liability.

Buyer agrees to give prompt notice to Sellers of the allegation by any third party of the existence of any liability, obligation, contract, other commitment or state of facts referred to in this Section 12.1, except that a failure to provide such prompt notice shall not be a defense against a claim for indemnity unless Sellers can demonstrate that they were materially prejudiced by the failure to provide such notice. Sellers shall be entitled to control the contest, defense, settlement or compromise of any such claim (including engagement of counsel in connection therewith), at its own cost and expense, including the cost and expense of attorneys', accountants' and experts' fees in connection with such contest, defense, settlement or compromise; provided that Sellers provide Buyer with written notice of its election to control such contest, defense, settlement or compromise within ten days of Buyer's delivery of notice to Sellers of such allegation, and Buyer shall have the right to participate in the contest, defense, settlement or compromise of any such claim at its own cost and expense, including the cost and expense of attorneys', accountants' and experts' fees in connection with such participation; provided, however, that, Sellers shall not settle or compromise any such claim without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

Section 12.2 Indemnity by Buyer. Buyer agrees to indemnify and hold harmless Sellers, Lau and their Affiliates from and against, and to reimburse Sellers, Lau, and their Affiliates in accordance with this Article XII with respect to, any and all loss, damage, liability, claims, cost and expense (but excluding lost profits and speculative damages), including reasonable attorneys', accountants' and experts' fees, incurred by Sellers or their respective Affiliates or Lau by reason of or arising out of or in connection with:

- (i) the material breach of any representation or warranty contained in Article IV hereof;
- (ii) the material failure of Buyer to perform any obligation required by this Agreement to be performed by it;
- (iii) any claims arising out of Buyer's obligations under the SPA with respect to Buyer's obligations under the third year of the earnout provided for in the SPA;
- (iv) the Assumed Liabilities; or
- (v) any liability, obligation or expense arising out of or in connection with any action, suit, claim, charge, complaint, proceeding or investigation to the extent arising out of or in

connection with the operations of the Business on or after the Closing Date, including, without limitation, any claims for severance of Employees terminated by Buyer or its Affiliates and any liability under or associated with the Worker Adjustment and Retraining Notification Act which may be assessed against or imputed to Sellers or the Affiliates.

Sellers agree to give prompt notice to Buyer of the allegation by any third party of the existence of any liability, obligation, contract, other commitment or state of facts referred to in this Section 12.2, except that a failure to provide such prompt notice shall not be a defense against a claim for indemnity unless Sellers can demonstrate that they were materially prejudiced by the failure to provide such notice. Buyer shall be entitled to control the contest, defense, settlement or compromise of any such claim (including the engagement of counsel in connection therewith), at its own cost and expense, including the cost and expense of attorneys', accountants' and experts' fees in connection with such contest, defense, settlement or compromise; provided that Buyer provides Sellers with written notice of its election to control such contest, defense, settlement or compromise within ten days of Sellers' delivery of notice to Buyer of such allegation, and Sellers shall have the right to participate in the contest, defense, settlement or compromise of any such claim at its own cost and expense, including the cost and expense of attorneys', accountants' and experts' fees in connection with such participation; provided, however, that, Buyer shall not settle or compromise any such claim without the prior written consent of Sellers, which consent shall not be unreasonably withheld.

Section 12.3 Threshold and Ceiling. The indemnification obligation of either party pursuant to Sections 12.1(i) and 12.2(i) above shall not take effect until the cumulative amount of damages for which such indemnification is claimed exceeds in the aggregate the amount of Four Hundred Ten Thousand Dollars (\$410,000). Once this threshold is exceeded, the party seeking to enforce the indemnity may recover all damages, without regard to the Threshold. The aggregate amount of aggregate payments by the Sellers and Lau in satisfaction of claims for indemnification under Section 12.1(i) shall not exceed \$20,500,000. Once the Escrow funds are exhausted, the Buyer may withhold any amounts for which Sellers are liable under this indemnity from the Earnout, subject to the terms and conditions of this Agreement. The aggregate amount of all payments by the Buyer in satisfaction of claims for indemnification under Section 12.2(i) shall not exceed \$20,500,000.

Section 12.4 Tax Benefits and Insurance Coverage. The amount of any indemnifiable loss shall be reduced to take account of any benefits in the form of tax deductions to the party incurring the loss or to account for any insurance recovery.

Section 12.5 Exclusive Remedy. The indemnification provided in Article XII shall be the sole and exclusive remedy for (i) any inaccuracy or breach of any representation or warranty made by any party in this Agreement or (ii) any violation of any statute, regulation or common law; except that this Section 12.5 shall not limit any party's remedy for fraud.

ARTICLE 13

MISCELLANEOUS

Section 13.1 Expenses. Except as otherwise expressly provided in this Agreement, each party to this Agreement agrees to pay, without right of

reimbursement from the other party, the costs incurred by it incident to the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby including, without limitation, costs incident to the preparation of this Agreement, and the fees and disbursements of counsel, accountants and consultants employed by such party in connection herewith.

Section 13.2 Public Announcements. Buyer and Sellers shall consult with one another before issuing any press release or public announcement about the transactions contemplated by this Agreement and except as may be required by applicable Legal Requirements, no party shall issue any such press release or other public announcement without the prior written consent of the other party.

Section 13.3 Confidentiality. The Confidentiality and Non-Disclosure Agreement dated August 13, 2001, between Buyer and Lau Defense Systems will remain in full force and effect until the Closing shall have occurred, and all information received by Buyer, its Affiliates or Representatives relating to the Business, whether orally or in writing, shall be subject thereto.

Section 13.4 Notices. All notices, consents, waivers, claims and other communications hereunder shall be in writing and shall be deemed to have been duly given at the time (a) personally delivered, (b) deposited, prepaid in a nationally established overnight delivery firm such as Federal Express, (c) mailed by certified mail, return receipt requested, or (d) transmitted by facsimile (which shall be confirmed by a writing sent by certified mail on the same business day as such facsimile is sent), as follows:

As to Buyer:

Curtiss-Wright Corporation
1200 Wall Street West
Lyndhurst, New Jersey 07071

Attn: General Counsel

and

Curtiss-Wright Flight Systems, Inc.
3120 Northwest Boulevard
Gastonia, NC 28052-1167

Attn: President

As to Sellers:

Lau Defense Systems, LLC
30 Porter Road
Littleton, MA 01460

Attn: Chairman

copy to:

Hill & Barlow, a Professional Corporation
One International Place
Boston, MA 02110

Attn: Charles J. Johnson

or to any other address which such party may have subsequently communicated to the other party by a notice given in accordance with the provisions of this Section.

Section 13.5 Survival. All statements, certifications, indemnifications, representations and warranties made hereby by the parties to this Agreement, and their respective covenants, agreements and obligations to be performed pursuant to the terms hereof, shall survive the Closing Date and terminate eighteen months after the Closing Date, except to the extent a party gives written notice to the other party of any breach thereof on or before such date, and except for the ongoing obligations provided for in Sections 2.2(a)(x), 2.3(g), 2.3(h), 2.4(b), 2.4(c), 2.7, 5.7, 6.2, 6.3, Article IX, Article X, Article XII, and Article XIII, which shall survive the Closing (even if the damaged party knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect forever thereafter (subject to any applicable statutes of limitation) and ongoing obligations under the Assumption Agreement and the Transition Services Agreement.

Section 13.6 Entire Agreement. This Agreement, the Exhibits and Schedules attached hereto, the Confidentiality and Non-Disclosure Agreement dated August 13, 2001 between Buyer and Lau Defense Systems and the other Acquisition Agreements contain every obligation and understanding between the parties relating to the subject matter hereof and merge all prior discussions, negotiations and agreement, if any, between them, and none of the parties shall be bound by any representations, warranties, covenants or other understandings, other than as expressly provided herein or therein.

Section 13.7 Waiver and Amendment. Any representation, warranty, covenant, term or condition of this Agreement which may legally be waived, may be waived, or the time of performance thereof extended, at any time by the party hereto entitled to the benefit thereof, and any term, condition or covenant hereto may be amended by the parties hereto at any time. Any such waiver, extension or amendment shall be evidenced by an instrument in writing executed on behalf of the appropriate party by a Person who has been authorized by such party to execute waivers, extensions or amendments on its behalf. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

Section 13.8 No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person other than the parties hereto and their respective Affiliates, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 13.9 Severability. In the event that any one or more of the provisions contained in this Agreement shall be declared invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect, and such invalid, void or unenforceable provision shall be interpreted as closely as possible to the manner in which it was written.

Section 13.10 Headings and Interpretation. Titles and headings to articles and sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The Schedules and Exhibits referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Any disclosure made on any individual schedule to this Agreement shall be deemed to be made for purposes of all schedules to this Agreement to which such disclosure is applicable.

Section 13.11 Governing Law. This Agreement shall be interpreted and construed in accordance with the laws of the Commonwealth of Massachusetts without giving effect to the principles of conflicts of laws thereof.

Section 13.12 Dispute Resolution. In the event of a dispute relating to this Agreement, the Parties shall make a good faith effort to settle any differences without resorting to arbitration. If settlement of the dispute is not possible, any and all disputes shall be resolved by arbitration. However, the Party wishing to initiate arbitration shall give 30 days prior written notice to the other Parties. During this 30-day period, selected senior management of the Parties shall further attempt to resolve the dispute. Any unresolved dispute arising out of or related to this Agreement, including its interpretation, validity, scope and enforceability, shall be resolved by arbitration to be held exclusively in Boston, Massachusetts and such arbitration shall be the Parties' exclusive remedy.

Arbitration shall be conducted in accordance with the then existing Commercial Dispute Resolution Procedures of the American Arbitration Association. The arbitration shall be conducted by a one arbitrator to be named by the Parties. Should the Parties fail to agree as to the naming of such arbitrator, the arbitrator shall be determined in accordance with the applicable rules of the American Arbitration Association.

The arbitrator shall decide each issue presented in writing. The decision of the arbitrator shall be final and binding. The arbitrator shall divide all costs in conducting the arbitration in the final award in accordance with what is just and equitable under the circumstances. Except as otherwise herein provided, each Party shall bear the burden of its own counsel fees incurred in connection with the arbitration proceedings under this Agreement.

All information relating to or disclosed by any Party in connection with the arbitration of any dispute relating to this Agreement shall be treated by the Parties, the representatives of the Parties and the arbitrator as confidential business information and no disclosure of such information shall be made by either Party or the arbitrator without the prior written consent of the Party furnishing such information in connection with the arbitration proceeding.

Judgment upon award rendered by the arbitrator may be entered in any court having jurisdiction over the Parties or their assets; or application may be made to such court for judicial acceptance of the award and an order of

enforcement, as the case may be. None of the Parties to this Agreement shall be liable for any incidental, consequential or punitive damages arising out of or related any breach of this Agreement.

Section 13.13 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Agreement may not be assigned by either party to any Person without the prior written consent of the other party. Notwithstanding the foregoing, Buyer may assign any of its rights under this Agreement, in whole or in part, to one or more wholly owned subsidiaries of Buyer. Any party so assigning this Agreement shall remain fully liable to the other party for the performance by any designee or assignee of any obligation of such party delegated to such designee or assignee.

Section 13.14 Taxes. Any taxes in the nature of sales or transfer taxes, documentary stamps or similar taxes payable on the sale or transfer of all or any portion of the assets, properties, business or equity interests being transferred hereunder or the consummation of any other transaction contemplated hereby, shall be paid by Buyer.

Section 13.15 Bulk Transfer Laws. Buyer hereby waives compliance by Sellers with the provisions of any so-called "bulk transfer law" of any jurisdiction in connection with the transactions contemplated by this Agreement.

Section 13.16 Attorneys Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

Section 13.17 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties hereto has executed this Asset Purchase Agreement the day and year first above written.

CURTISS-WRIGHT CORPORATION

By: _____
Name:
Title:

CURTISS-WRIGHT FLIGHT SYSTEMS, INC.

By: _____
Name:
Title:

LAU DEFENSE SYSTEMS LLC

By: _____
Name:
Title:

LDS ACQUISITION CORP.

By: _____
Name:
Title:

VISTA CONTROLS INC.

By: _____
Name:
Title:

LAU ACQUISITION CORP. D/B/A LAU TECHNOLOGIES

By: _____
Name:
Title:

EXHIBIT D

EARNOUT BASED ON ORGANIC GROWTH ONLY

(\$ in 000's)	2002	2003	2004
Gross Profit - Base	\$ 14,500	\$ 15,000	\$ 16,000
Gross Profit - Projected	\$ 19,860	\$ 23,117	\$ 26,585
	-----	-----	-----
Projected Gross Profit Growth	\$ 5,360	\$ 8,177	\$ 10,585
	-----	-----	-----
Earnout (Prorated up to 1.6 times)	\$ 2,500	\$ 2,500	\$ 2,500
Maximum Potential Annual Earnout	\$ 4,000	\$ 4,000	\$ 4,000
	-----	-----	-----
	2005	2006	
Gross Profit - Base	\$ 17,000	\$ 17,500	
Gross Profit - Projected	\$ 30,572	\$ 35,158	
	-----	-----	
Projected Gross Profit Growth	\$ 13,572	\$ 17,658	
	-----	-----	
Earnout (Prorated up to 1.6 times)	\$ 2,500	\$ 2,500	
Maximum Potential Annual Earnout	\$ 4,000	\$ 4,000	
	-----	-----	
Example	2002	2003	2004
Gross Profit - Actual	\$ 22,360	\$ 30,117	\$ 24,585
Less: Gross Profit - Base	(14,500)	(15,000)	(16,000)
	-----	-----	-----
Actual Gross Profit Growth	\$ 7,860	\$ 15,117	\$ 8,585
	-----	-----	-----
Ratio of Act. GP Growth to Proj. GP Growth	1.47	1.86	0.81
	-----	-----	-----
Earnout Payments	\$ 3,666	\$ 4,000	\$ 2,028
	-----	-----	-----
	2005	2006	
Gross Profit - Actual	\$ 42,572	\$ 43,158	
Less: Gross Profit - Base	(17,000)	(17,500)	
	-----	-----	
Actual Gross Profit Growth	\$ 25,572	\$ 25,658	
	-----	-----	
Ratio of Act. GP Growth to Proj. GP Growth	1.88	1.45	
	-----	-----	
Earnout Payments	\$ 4,000	\$ 3,633	
	-----	-----	

Company Press Release
SOURCE: Curtiss-Wright Corporation

Curtiss-Wright Closes Acquisition Expanding Position In Defense Electronics Market

LYNDHURST, NJ - November 2, 2001 - Curtiss-Wright Corporation (NYSE: CW) today announced the completion of its acquisition of Lau Defense Systems (LDS) and Vista Controls. Curtiss-Wright's agreement to acquire LDS and Vista from Lau Acquisition Corporation was announced on October 25, 2001.

LDS and Vista's total sales for the current year are expected to be approximately \$50 million. Curtiss-Wright purchased certain assets of LDS for \$41 million in cash, the assumption of certain liabilities, and additional payments upon the achievement of certain financial performance criteria over the next five years. The acquisition is expected to be immediately accretive to earnings.

LDS and its Vista operation design and manufacture "mission-critical" electronic control systems primarily for the defense market. Also acquired was the LDS perimeter intrusion detection security system product line and an agreement to definitize a license to market and manufacture Lau Technologies' latest patented "Face in the Crowd" facial recognition product line for certain U.S. Government and industrial markets.

The acquisition expands Curtiss-Wright's position in the defense electronics market. Curtiss-Wright currently provides electronic aiming and stabilization system components for European manufacturers of military armored vehicles, and the components supplied by LDS and Vista to the U.S. market will complement those and create cross-marketing opportunities to an expanded customer base.

As Curtiss-Wright Chairman and CEO Martin Benante said when the initial acquisition agreement was announced on October 25th, "In addition to providing Curtiss-Wright a position on many military modernization programs, the acquisition of LDS and Vista uniquely postures CWFS as a provider of high-level electronic and mechanical subsystems with broad applicability in new and existing markets."

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