SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2000

CUMMINS ENGINE COMPANY, INC.

Commission File Number 1-4949
Incorporated in the State of Indiana I.R.S. Employer Identification No. 35-0257090

500 Jackson Street, Box 3005, Columbus, Indiana 47202-3005
(Principal Executive Office)
Telephone Number: (812) 377-5000

Securities registered pursuant to Section 12(b) of the Act: Common Stock, $2.50 par value, which is registered on the New York Stock Exchange and on the Pacific Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act: None.

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 (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K are not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates was approximately $1.5 billion at January 26, 2001.

As of January 26, 2001, there were outstanding 41.4 million shares of the only class of common stock.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

OVERVIEW

Cummins Engine Company, Inc. d/b/a Cummins Inc. ("Cummins" or "the Company") is a leading worldwide designer and manufacturer of diesel engines, ranging from 55 to 3,500 horsepower and the largest producer of commercial diesel engines above 50 horsepower. The Company also produces natural gas engines and engine components and subsystems. Cummins provides power and components for a wide variety of equipment in its key businesses: engine, power generation and filtration.

Cummins sells its products to original equipment manufacturers ("OEMs"), distributors and other customers worldwide and conducts manufacturing, sales, distribution and service activities in many areas of the world. Sales of products to major international firms outside North America are transacted by exports directly from the United States and shipments from foreign facilities (operated through subsidiaries, affiliates, joint ventures or licensees) which manufacture and/or assemble Cummins' products.

In 2000, approximately 57 percent of net sales were in the United States. Major international markets include Asia and Australia (14 percent of net sales); Europe and the CIS (13 percent of net sales); Mexico and Latin America (7 percent of net sales) and Canada (6 percent of net sales).

BUSINESS MARKETS

Engine Business

Heavy-duty Truck Market

Cummins has a complete line of diesel engines that range from 280 to 650 horsepower serving the worldwide heavy-duty truck market. All major heavy-duty truck manufacturers in North America offer the Company's heavy-duty diesel engines as standard or optional power. The Company's largest customer for heavy-duty truck engines in 2000 was Freightliner Corporation, a division of DaimlerChrysler. Sales to Freightliner for this market represented eight percent of the Company's net sales in 2000.

In 2000, factory retail sales of North American heavy-duty trucks were 15 percent lower than in 1999. Factory retail sales were 257,000 in 2000, compared to 308,000 units in 1999, 260,000 in 1998 and 224,000 in 1997. The Company's share of the North American heavy-duty truck engine market was 28 percent at year-end, based upon data published by Ward's. The Company's share of the North American heavy-duty truck engine market was 31 percent in 1999.

Cummins market share in Mexico remained stable at 73 percent, positioning Cummins as the market share leader by a very wide margin. The market size in 2000 was approximately 11,000 units for domestic sales.

In South Africa and Australia, the Company enjoys the number one market position and is a leading supplier of diesel engines in Europe.

Cummins offers the ISL, ISM, ISX, N14 and Signature 600 (and Signature 650 in Australia), which constitute the most modern product line in the industry.

In the heavy-duty truck market, the Company competes with independent engine manufacturers as well as truck producers who manufacture engines for their own products. In North America, the Company's primary competitors in the heavy-duty truck engine market are Caterpillar, Inc., Detroit Diesel Corporation and Mack Trucks, Inc. The Company's principal competitors in international markets vary from country to country, with local manufacturers generally predominant in each geographic market. Other diesel engine manufacturers in international markets include Mercedes-Benz, AB Volvo, Renault Vehicles Industriels, Iveco Diesel Engines, Hino Motors, Ltd., Mitsubishi Heavy Industries, Ltd., Isuzu Motors, Ltd., DAF Trucks N.V. (a subsidiary of Paccar, Inc.), Scania A.B. and Nissan Diesel.

Medium-duty Truck Market

The Company has a line of diesel engines ranging from 185 to 315 horsepower serving medium-duty and inter-city delivery truck customers worldwide. The Company has the most advanced product line in the industry, which is served by the ISB and ISC diesel engines.

The Company entered the North American medium-duty truck market in 1990. Based upon data published by Ward's, the Company's share of the market for diesel-powered medium-duty trucks in 2000 was 19 percent. Freightliner was the Company's largest customer for this market in 2000, representing 3 percent of the Company's net sales. The Company's market share in 1999 was 19 percent.

The Company sells its ISB and ISC series engines and engine components outside North America to medium-duty truck markets in Asia, Europe and South America.

In the medium-duty truck market, the Company competes with independent engine manufacturers as well as truck producers who manufacture diesel engines for their own products. Primary engine competitors in the medium-duty truck market in North America are Navistar International Corporation and Caterpillar, Inc. The Company's principal competitors in international markets vary from country to country, with local manufacturers generally predominant in each geographic market. Other diesel engine manufacturers in international markets include Mercedes Benz, AB Volvo, Renault Vehicles Industriels, Iveco Diesel Engines, Hino Motors Ltd., Mitsubishi Heavy Industries, Ltd., Isuzu Motors, Ltd., DAF Group N.V., Scania A.B., Perkins Engines Ltd., Nissan Diesel and MWM Brazil.

Bus Market

Cummins offers both diesel- and alternate-fueled engines for school buses, transit buses and shuttle buses.

In 2000, Cummins was the market share leader for transit buses, a position it first achieved in 1998. Cummins offers the ISB, ISC, ISL and ISM engines for the bus markets. Cummins also offers B and C series products for natural gas applications, which are primarily focused on transit and school bus markets. The demand for alternate-fueled products continues to grow both domestically and internationally.

In these markets, the Company competes both with independent manufacturers of diesel engines and with vehicle producers who manufacture diesel engines for their own products. Primary competitors who manufacture diesel engines for the bus and light commercial vehicle markets are Detroit Diesel Corporation, General Motors Corporation, Navistar International Corporation, Caterpillar, Inc., AB Volvo, Daimler, Scania A.B. and MWM Brazil.

Light Commercial and Specialty Vehicles

Cummins offers the ISB for the Dodge Ram pickup truck in North America and the 4B for Ford in Brazil. DaimlerChrysler was the Company's largest customer for midrange engines in this market and the Company's number one customer when all markets are considered, with 19 percent of the Company's net sales in 2000.

Cummins is the leader in the class A recreational vehicle market with an overall market share of 29 percent and a 76 percent share of the diesel-powered recreational vehicle market.

Industrial Market - Construction, Agriculture, Marine

Cummins engines power a wide variety of equipment in the construction, agricultural and marine markets throughout the world. The major construction equipment manufacturers are in North America, Europe, Korea and Japan. Construction equipment manufacturers build approximately one million pieces of equipment per year for a diverse set of applications. The agriculture market produces about 340,000 pieces of equipment per year above 75 horsepower, which is the market focus for Cummins. The Company has a substantial share of the four-wheel drive agricultural tractor market. In marine markets, about 35,000 diesel-powered pleasure boats and 10,000 commercial boats are built every year. Major marine markets are North America, Europe and Korea.

In 2000, Cummins successfully launched the QSM11 and QSX15 heavy-duty products to meet Tier 2 requirements in the 302 - 602 horsepower range for construction applications. Two additional propulsion ratings, which meet the International Maritime Organization's emission requirements, were introduced in the marine market.

Industrial Market - High Horsepower

Cummins engineers, manufactures and markets engines for mining, rail, government and petroleum markets and also produces engines for power generation and marine applications. The Company's engine range covers from 19-liters to 91-liters, representing 550 horsepower to 3,500 horsepower and is the most modern high horsepower product line in the industry.

Cummins offers a full product line for mining applications that compete in all segments from small underground mining equipment up to 400-ton haul trucks. The launch of the QSK78 at MINExpo 2000 extends Cummins' mining products up to 3,500 horsepower, the largest in the mining industry. Cummins occupies the number two position in this market.

The rail market activity is primarily in Europe and Asia, with the Company having number one market position in the worldwide railcar market. With the Company's new products QSK60 and QSK78, Cummins will be able to move into a larger proportion of the locomotive market outside North America.

Government market activity represents a small portion of high horsepower markets and the sales are primarily in North America and Europe. Petroleum markets currently represent a small but growing part of high horsepower business. The new high horsepower products allow Cummins to be a full line supplier to this industry.

Power Generation Business

In 2000, power generation sales represented 21 percent of the Company's net sales. The strategic mission of Cummins Power Generation is to work in partnership with its customers to provide "powerful solutions." Cummins will deliver products and services that generate electric power, wherever and whenever it is needed. The Power Generation business is vertically integrated and manufactures all of the components that make up power generation systems, including engines, controls, alternators, transfer switches, switchgear, air filtration and exhaust systems. Cummins Power Generation also provides a range of services including long-term maintenance contracts and turnkey power solutions including the complete range of maintenance and services. Rental of power equipment is also available through the Cummins Power Rent organization.

Cummins offers reciprocating engine-based power generation systems worldwide with a power range of 2 kilowatts to 2 megawatts for either standby or prime power applications. Engines are offered with a choice of fuels: diesel, natural gas and gasoline-fired.

Newage, a subsidiary of Cummins Power Generation, is a leader in the alternator industry, supplying alternators with a range up to 4 megawatts.

Cummins Power Generation competes on a global scale with a variety of engine manufacturers and generator set assemblers. Caterpillar, Inc. remains the primary competition, with its acquisition of MAK, Perkins and FG Wilson. DaimlerChrysler, through its acquisition of Detroit Diesel Corporation and AB Volvo, is another major engine manufacturer with a presence in the high-speed generation segment of the market. Onan brand sets compete in the consumer business segment and have a leading market share exceeding 80 percent. Newage competes globally with Emerson Electric, Marathon and Meccalte, among others.

Filtration Business and Other

Fleetguard, Cummins' Filtration Business, is a leading designer and manufacturer of filtration systems for heavy-duty equipment. Its products are produced and sold in global markets, including Europe, North America, South America, India, China, Australia and the Far East. Nelson, purchased in 1998, designs and manufactures air filtration and exhaust systems and distributes in the same markets. The two companies provide a complete filtration business solution for their customers. The Filtration Business also produces products for the automotive specialty filtration market and the industrial filtration market through its two subsidiaries, Kuss, located in Findley, Ohio, and Universal Silencer, located in Stoughton, Wisconsin.

Cummins owns 17 distributorships, covering over 25 countries, with most of them located outside of the United States. Cummins also participates in three joint venture entities that serve the role of

Cummins' distributors. Most distributors engage in the selling of loose engines, generator sets and service parts, as well as perform service and repair activities on Cummins products. Cummins' distributors serve the dealers and end users in the territory. Some distributors also work with Original Equipment Manufacturers.

Holset's turbochargers are sold worldwide. Holset's joint venture with TELCO assembled and shipped its first turbochargers in 1996. A joint venture with Wuxi in China also began production in 1996. In 1999, Holset began full production in the United Kingdom of a variable geometry turbocharger designed for truck powertrains. In 2000, Holset completed consolidation of its U.S. manufacturing facilities onto one site in Charleston, South Carolina.

BUSINESS OPERATIONS

International

The Company has manufacturing facilities worldwide, including major operations in Europe, India, Mexico and Brazil. Parts distribution centers in Brazil, Mexico, Australia, Singapore, China, India and Belgium are strategically located to supply service parts to maintain and repair Cummins engines.

The Company has entered into alliances with business partners in various areas of the world.

In 1997, the Company acquired an additional 1 percent of the outstanding shares of Kirloskar Cummins Limited, becoming the majority owner, and changed the name to Cummins India Limited. This business is now consolidated into Cummins financial statements.

In 1996, a joint venture was formed with two of the Fiat Group companies - Iveco (trucks and buses) and New Holland (agricultural equipment) - to design and manufacture the next generation of 4-, 5- and 6-liter engines based on Cummins 4- and 6-liter B series engines. Operations of Dong Feng in China were expanded to form a joint venture for production of a C series engine in addition to the license for B Series engines.

In 1995, the Company formed a joint venture with China National Heavy Duty Truck Corporation in Chongqing, previously a Cummins' licensee, to manufacture a broad line of diesel engines in China.

Cummins and Scania have a joint venture to produce a fuel system for heavy-duty diesel engines. Cummins also has a joint venture with TELCO to manufacture the Cummins B Series engines in India for TELCO trucks. Cummins and Komatsu have formed joint ventures to manufacture the B Series engines in Japan and high-horsepower Komatsu designed engines in the United States. In 1997, a third joint venture with Komatsu to design next generation industrial engines was announced.

Cummins has entered into license agreements that provide for the manufacture and sale of the Company's products in Turkey, China, Pakistan, South Korea, Indonesia and other countries.

Several of the Company's subsidiaries have operations throughout the world.

Because of the Company's global business activities, its operations are subject to risks, such as currency controls and fluctuations, import restrictions and changes in national governments and policies.

Research and Development

Cummins conducts an extensive research and engineering program to achieve product improvements, innovations and cost reductions for its customers, as well as to satisfy legislated emissions requirements. The Company is nearing completion of a program to renew and extend its engine range. Cummins has introduced a variety of concepts in the diesel industry that combine electronic controls, computing capability and information technology. The Company also offers alternate fueled engines for certain of its markets. As disclosed in Note 1 to the Consolidated Financial Statements, research and development expenditures approximated $220 million in 2000, $220 million in 1999 and $230 million in 1998. The Company continues to invest in technologies to meet increasingly more stringent emissions standards.

Sales and Distribution

While the Company has supply agreements with some customers for Cummins engines in both on- and off-highway markets, most of the Company's business is done on open purchase orders. These purchase orders usually may be canceled on reasonable notice without cancellation charges. Therefore, while incoming orders generally are indicative of anticipated future demand, the actual demand for the Company's products may change at any time. While the Company typically does not measure backlog, customers provide information about future demand, which is used by the Company for production planning. Lead times for the Company's engines are dependent upon the customer, market and application.

While individual product lines may experience modest seasonal declines in production, there is no material effect on the demand for the majority of Cummins' products on a quarterly basis. The power generation business, however, normally encounters seasonal declines in the first quarter of the year.

The Company's products compete on a number of factors, including performance, price, delivery, quality and customer support. Cummins believes that its continued focus on cost, quality and delivery, extensive technical investment, full product line and customer-led support programs are key elements of its competitive position.

Cummins warrants its engines, subject to proper use and maintenance, against defects in factory workmanship or materials for either a specified time period or mileage or hours of use. Warranty periods vary by engine family and market segment.

There are approximately 8,900 locations in North America, primarily owned and operated by OEMs or their dealers, at which Cummins-trained service personnel and parts are available to maintain and repair Cummins engines. The Company's parts distribution centers are located strategically throughout the world.

Cummins also sells engines, parts and related products through distributorships worldwide. The Company believes its distribution system is an important part of its marketing strategy and competitive position. Most of its North American distributors are independently owned and operated. The Company has agreements with each of these distributors, which typically are for a term of three years, subject to certain termination provisions. Upon termination or expiration of the agreement, the Company is obligated to purchase various assets of the distributorship. The purchase obligation of the Company relates primarily to inventory of the Company's products, which can be resold by the Company over a reasonable period of time. In the event the Company had been required to fulfill its obligations to purchase assets from all distributors simultaneously at December 31, 2000, the aggregate cost would have been approximately $362 million. Management believes it is unlikely that a significant number of distributors would terminate their agreements at the same time, requiring the Company to fulfill its purchase obligation.

Supply

The Company manufactures many of the components used in its engines, including blocks, heads, rods, turbochargers, crankshafts and fuel systems. Cummins has adequate sources of supply of raw materials and components required for its operations. The Company has arrangements with certain suppliers who are the sole sources for specific products. While the Company believes it has adequate assurances of continued supply, the inability of a supplier to deliver could have an adverse effect on production at certain of the Company's manufacturing locations.

Employment

At December 31, 2000, Cummins employed 28,000 persons worldwide, approximately 10,700 of whom are represented by various unions.

The Diesel Workers' Union (DWU) represents employees at several Southern Indiana plants, under two contracts. In 1993, members of the DWU working in a majority of the Company's Southern Indiana manufacturing facilities ratified an agreement that extends until the year 2004. In 2000, members of the DWU at the Company's midrange engine plant ratified a four-year agreement.

The Office Committee Union (OCU) represents technical and administrative employees at the Company`s Southern Indiana facilities, including its Technical Center, under two contracts. In 2000, members of the OCU at the Company's midrange engine plant in Southern Indiana ratified a four-year agreement. In 1999, members of the OCU ratified a five-year agreement for offices and other plants in Southern Indiana and the Company's Technical Center.

The International Association of Machinists represents employees at the Company's remanufacturing plant in Memphis, Tennessee, under a four-year agreement which was ratified in 2000.

The Union of Needletrades, Industrial and Textile Employees represents employees at the Company's filtration product plan in Findlay, Ohio, under a five-year agreement which was ratified in 1997.

The United Auto Workers represents employees at the Company's filtration products plant in Cookeville, Tennessee, under a three-year agreement ratified in 1999.

The Company has other labor agreements covering employees in North America, South America, the United Kingdom and India.

ENVIRONMENTAL COMPLIANCE

Product Environmental Compliance

Cummins engines are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards with respect to emissions and noise. Cummins' products comply with emissions standards that the US Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB"), as well as other regulatory agencies around the world, have established for heavy-duty on-highway diesel and gas engines and off-highway engines produced through 2001. Cummins' ability to comply with these and future emissions standards is an essential element in maintaining its leadership position in regulated markets. The Company will make significant capital and research expenditures to comply with these standards. Failure to comply could result in adverse effects on future financial results.

Cummins has successfully completed the certification of its 2001 on-highway products, which include both midrange and heavy-duty engines. All of these products underwent extensive laboratory and field testing prior to their release.

In October 1998, Cummins and other manufacturers of heavy-duty diesel engines entered into a Consent Decree with the EPA, the U. S. Department of Justice and the CARB related to concerns they had raised regarding the level of Nitrogen Oxide (NOx) emissions from diesel engines under certain driving conditions. The terms of that Consent Decree are a matter of public record. Cummins has developed extensive corporate action plans to comply with all aspects of the Consent Decree. Additionally, four separate court actions have been filed as a result of allegations of the diesel emissions matter. The New York Supreme Court ruled in favor of the Company. An appeal was filed and the Appellate Division ruled in favor of the Company and other defendants. Two courts in California ruled in favor of the Company. A fourth action was filed in U.S. District Court, for the District of Columbia. This case was dismissed in September 2000.

The company is taking steps to review the timing of the introduction of the 2.5 gram NOx + NMHC (non-methane hydrocarbon) engines under the Consent Decree. Analysis conducted through the company's Value Package Introduction system indicates that significant field testing at this point is still needed. Without this important testing there will be reliability and durability risks to consider if the products were released by the Consent Decree date of October 2002. This delay in field testing of a stable and mature product design has been caused by significant component development issues in the exhaust gas recirculation system and because EPA has failed, until recently, to provide confirmation of the auxiliary emissions control structure for the product. Discussions are on-going with appropriate EPA and CARB technical and policy offices to explore later dates for introduction.

Model year 1998 marked the latest major change in promulgated emissions requirements for heavy-duty on-highway diesel engines when the oxides of nitrogen standard was lowered from 5.0 to 4.0 g/bhp-hr.

Contained in the environmental regulations are several means for the EPA to ensure and verify compliance with emissions standards. Two of the principal means are tests of new engines as they come off the assembly line, referred to as selective enforcement audits ("SEA"), and tests of field engines, commonly called in-use compliance tests. The SEA provisions have been used by the EPA to verify the compliance of heavy-duty engines for several years. In 2000, no such audit test was performed on Cummins engines. The failure of a SEA could result in cessation of production of the non-compliant engines and the recall of engines produced prior to the audit. In the product development process, Cummins anticipates SEA requirements when it sets emissions design targets.

No Cummins engines were chosen for in-use compliance testing in 2000. It is anticipated that the EPA will increase the in-use test rate in future years, raising the probability that one or more of the Company's engines will be selected.

In 1988, CARB promulgated a rule that necessitates the reporting of failures of emissions-related components when the failure rate reaches a specified level (25 component failures or one percent of build, whichever is greater). At somewhat higher failure rates (50 components or four percent of build), a recall may be required. In October 1999, the Company communicated to CARB that a failure of the oxidation catalyst used with certain urban bus engines had experienced failures at a level that necessitates a report. This failure has now reached the level that could require a recall. Cummins has initiated activities to correct these failures on all affected engines in California as well as those in other states.

Heavy-duty engines used in construction, agricultural and certain mining applications are also subject to emission regulations. In the United States such standards began phasing-in in 1996. In other parts of the world similar standards are applied. Cummins has successfully completed certification of its engines used in these non-road applications. All of these products have undergone extensive laboratory and field tests prior to their release.

EPA's audit provisions cover certified, non-road engines. In 2000, no Cummins engines were selected for such audit testing.

Emissions standards in international markets, including Europe and Japan, are becoming more stringent. Given the Company's experience in meeting US emissions standards, it believes that it is well positioned to take advantage of opportunities in these markets as the need for emissions-control capability grows.

There are several Federal and state regulations which encourage and, in some cases, mandate the use of alternate fueled heavy-duty engines. The Company currently offers natural gas fueled versions of its B5.9 and C8.3 engines, ranging from 150 to 280 horsepower, as well as a propane-fueled version of its B5.9 engine rated at 195 horsepower.

Vehicles and certain industrial equipment in which diesel engines are installed must meet Federal noise standards. The Company believes that applications in which its engines are now installed meet those noise standards and that future installations also will be in compliance.

Other Environmental Statutes and Regulations

Cummins believes it is in compliance in all material respects with laws and regulations applicable to the plants and operations of the Company and its subsidiaries. During the past five years, expenditures for environmental control activities and environmental remediation projects at the Company's operating facilities in the United States have not been a major portion of annual capital outlays and are not expected to be material in 2000.

Pursuant to notices received from Federal and state agencies and/or defendant parties in site environmental contribution actions, the Company and its subsidiaries have been identified as potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or similar state laws, at a number of waste disposal sites. Under such laws, PRPs typically are jointly and severally liable for any investigation and remediation costs incurred with respect to the sites. Therefore, the Company's ultimate responsibility for such costs could be a percentage greater than the percentage of waste actually contributed to the site by the Company.

The sites at which the Company or its subsidiaries are currently named as a PRP are the following: Old City Landfill, Columbus, Indiana; White House Waste Oil Pits, Jacksonville, Florida; Seaboard Chemical, Jamestown, North Carolina; Double Eagle Refinery, Oklahoma City, Oklahoma; Wastex Research, East St. Louis, Illinois; North Hollywood Dump, Memphis, Tennessee; Commercial Oil, Oregon, Ohio; Berliner & Ferro, Swartz Creek, Michigan; Schnitzer Iron & Metal, St. Paul, Minnesota; Four County Landfill, Culver, Indiana; Schumann Site, South Bend, Indiana; Great Lakes Asphalt, Zionsville, Indiana; Third Site, Zionsville, Indiana; Auto-Ion, Kalamazoo, Michigan; PCB Treatment Inc., Kansas City, Kansas; ENRx, Buffalo, New York; Uniontown Landfill, Uniontown, Indiana; Sand Springs, Oklahoma; United Steel Drum, East St. Louis, Illinois; Putnam County Landfill, Cookeville, Tennessee; Enterprise Oil, Detroit, Michigan; Wayne Reclamation & Recycling, Ft. Wayne, Indiana; and Casmalia Disposal Site, Santa Barbara, California. The Company presently is contesting its status as a PRP at several of these sites. At some of these sites, the Company will be released from liability at the site as a de minimis PRP for a nominal amount.

While the Company is unable at this time to determine the aggregate cost of remediation at these sites, it has attempted to analyze its proportionate and actual liability by analyzing the amounts of waste contributed to the sites by the Company, the estimated costs for total remediation at the sites, the number and identities of other PRPs and the level of insurance coverage. With respect to other sites at which the Company or its subsidiaries have been named as PRPs, the Company cannot accurately estimate the future remediation costs. At several sites, the remedial action to be implemented has not been determined for the site. In other cases, the Company or its subsidiary has only recently been named as a PRP and is collecting information on the site. Finally, in some cases, the Company believes it has no liability at the site and is actively contesting designation as a PRP.

Based upon the Company's prior experiences at similar sites, however, the aggregate future cost to all PRPs to remediate these sites is not likely to be significant. In each of these cases, the Company believes that it has good defenses at several of the sites, that its percentage contribution at other sites is likely to be de minimis or that other PRPs will bear most of the future remediation costs. However, the environmental laws impose joint and several liability and, consequently, the Company's ultimate responsibility may be based upon many factors outside the Company's control and could be material in the event that the Company becomes obligated to pay a significant portion of these expenses. Based upon information presently available, the Company believes that such an outcome is unlikely and that its actual and proportionate costs of participating in the remediation of these sites will not be material.

In 2000, various plants and facilities of the Company commenced development and implementation of ISO 14001 standards for an environmental management system. This activity will continue in 2001. The Company anticipates that four of its Central Area plants and five of its North American plants will be certified to ISO 14001 within the next two years.

ITEM 2. PROPERTIES

Cummins' worldwide manufacturing facilities occupy approximately 15 million square feet, including approximately 6 million square feet outside the United States. Principal manufacturing facilities in the United States include the Company's plants in Southern Indiana; Wisconsin; Jamestown, New York; Lake Mills, Iowa; Cookeville, Tennessee; and Fridley, Minnesota, as well as an engine plant in Rocky Mount, North Carolina, which is operated in partnership with Case Corporation.

Countries of manufacture outside of the United States include England, Brazil, Mexico, Canada, France and Australia. In addition, engines and engine components are manufactured by joint ventures or independent licensees at plants in England, France, China, India, Japan, Pakistan, South Korea, Turkey and Indonesia.

Cummins believes that all of its plants have been maintained adequately, are in good operating condition and are suitable for its current needs through productive utilization of the facilities.

ITEM 3. LEGAL PROCEEDINGS

The information appearing in Note 17 to the Consolidated Financial Statements is incorporated herein by reference. The material in Item 1 "Other Environmental Statutes and Regulations" also is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "CUM". The following table sets forth, for the quarters shown, the range of high and low composite prices of the common stock and the cash dividends declared on the common stock.

	High	Low	Dividends Declared

2000			
First quarter	$49 5/8	$31 1/16	$.30
Second quarter	38 5/8	29 15/16	.30
Third quarter	36 7/8	27 1/4	.30
Fourth quarter	37 15/16	29 1/16	.30
1999			
First quarter	$42 1/4	$35	$.275
Second quarter	58 1/8	36 1/8	.275
Third quarter	64 9/16	49	.275
Fourth quarter	52 9/16	39 1/16	.30

At December 31, 2000, the approximate number of holders of record of the Company's common stock was 4,800.

The Company has repurchased 5.4 million shares of its common stock since 1994. The Company repurchased .4 million shares on the open market at an aggregate price of $16 million in 2000, .7 million shares on the open market at an aggregate purchase price of $34 million in 1999 and .4 million shares on the open market at an aggregate purchase price of $14 million in 1998. In 1997, the Company repurchased 1.3 million shares from Ford Motor Company and another .2 million shares on the open market at an aggregate purchase price of $75 million. The Company repurchased .8 million shares of stock in the open market at an aggregate purchase price of $34 million in 1996 and 1.6 million shares at an aggregate purchase price of $69 million in 1995. All of the acquired shares are held as common stock in treasury.

In 1997, the Company issued 3.75 million shares of its common stock to an employee benefits trust to fund obligations of employee benefit and compensation plans, principally retirement savings plans. Shares of the common stock held by this trust are not used in the calculation of the Company's earnings per share until distributed from the trust and allocated to a benefit plan.

Certain of the Company's loan indentures and agreements contain provisions which permit the holders to require the Company to repurchase the obligations upon a change of control of the Company, as defined in the applicable debt instruments.

The Company has a Shareholders' Rights Plan which it first adopted in 1986. The Rights Plan provides that each share of the Company's common stock has associated with it a stock purchase right. The Rights Plan becomes operative when a person or entity acquires 15 percent of the Company's common stock or commences a tender offer to purchase 20 percent or more of the Company's common stock without the approval of the Board of Directors. In the event a person or entity acquires 15 percent of the Company's common stock, each right, except for the acquiring person's rights, can be exercised to purchase $400 worth of common stock for $200. In addition, for a period of 10 days after such acquisition, the Board of Directors can exchange such right for a new right which permits the holders to purchase one share of the Company's common stock for $1 per share. If a person or entity commences a tender offer to purchase 20 percent or more of the Company's common stock, unless the Board of Directors redeems the rights within 10 days of the event, each right can be exercised to purchase one share for $200. The plan also allows holders of the rights to purchase shares of the acquiring person's stock at a discount if the Company is acquired or 50 percent of the assets or earnings power of the Company is transferred to an acquiring person.

The Company's bylaws provide that Cummins is not subject to the provisions of the Indiana Control Share Act. However, Cummins is governed by certain other laws of the State of Indiana applicable to transactions involving a potential change of control of the Company.

ITEM 6. SELECTED FINANCIAL DATA

$ Millions, except per share amounts	2000	1999	1998	1997	1996
Net sales	$6,597	$6,639	$6,266	$5,625	$5,257
Net earnings (loss)	8	160	(21)	212	160
Earnings (loss) per share:					
Basic	.20	4.16	(.55)	5.55	4.02
Diluted	.20	4.13	(.55)	5.48	4.01

Cash dividends per share	1.20	1.125	1.10	1.075	1.00
Total assets	4,500	4,697	4,542	3,765	3,369
Long-term debt	1,032	1,092	1,137	522	283

Earnings per share for 1996 have been restated to reflect the adoption of SFAS No. 128.

In 2000, the Company's results included charges of $160 million ($103 million after tax, or $2.71 per share) reflecting restructuring actions, impairment of assets and other activities largely focused in the Engine Business. These actions were taken in response to the downturn in the North American heavy-duty truck market and related conditions. The charges included $42 million attributable to employee severance actions, $72 million for impairment of equipment and other assets, $30 million for impairment of software developed for internal use where the programs were cancelled prior to implementation and $16 million associated with exit costs to close or consolidate a number of smaller business operations.

In 1999, the Company's results included a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture.

In 1998, the Company's results included charges totaling $217 million, comprised of $78 million for revised estimates of additional product coverage liability for both base and extended warranty programs, $114 million of costs associated with the Company's plan to restructure, consolidate and exit certain business activities and $25 million for a civil penalty resulting from an agreement reached with the U.S. Environmental Protection Agency, the Department of Justice and the California Air Resources Board regarding diesel engine emissions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OVERVIEW

Net sales were $6.6 billion in 2000, essentially flat with $6.6 billion reported in 1999 and 5 percent higher than in 1998. Earnings before interest and taxes in 2000 were $249 million, or 3.8 percent of sales, excluding a $160 million pretax charge in connection with certain restructuring actions and asset impairment write-downs. This compares to $356 million in 1999, excluding charges of $60 million pretax in connection with the dissolution of the Cummins Wartsila joint venture. As reported, earnings before interest and taxes were $89 million in 2000, $296 million in 1999 and $65 million in 1998. Net earnings in 2000 were $8 million or $.20 per share compared to $160 million or $4.13 per share in 1999 and a net loss of $21 million or $(.55) per share in 1998.

RESULTS OF OPERATIONS

Net Sales:

In 2000, the Company's sales totaled $6.6 billion. Revenues from sales of engines were 52 percent of the Company's net sales in 2000, with engine revenues 5 percent lower than in 1999 and flat compared to 1998. The Company shipped 421,800 engines in 2000, compared to 426,100 engines in 1999 and 403,300 in 1998 as follows:

Unit shipments	2000	1999	1998
Midrange engines	318,200	298,400	287,400
Heavy-duty engines	91,900	117,900	106,100
High-horsepower engines	11,700	9,800	9,800
	421,800	426,100	403,300

Revenues from non-engine products, which were 48 percent of net sales in 2000, were 5 percent higher than in 1999 and 11 percent higher than in 1998. The major increases within non-engine revenues were achieved in parts sales, company-owned distributors and the Holset turbocharger operations. Sales of the remaining non-engine products, in the aggregate, were essentially level with 1999.

The Company's net sales for each of its key segments during the last three years were:

$ Millions	2000	1999	1998
Automotive markets	$2,936	$3,203	$2,928
Industrial markets	1,114	1,022	1,054
Engine Business	4,050	4,225	3,982
Power Generation Business	1,395	1,356	1,230
Filtration Business & Other	1,152	1,058	1,054
	$6,597	$6,639	$6,266

Cummins' Engine Business, the Company's largest business segment, produces engines and parts for sale to customers in both automotive and industrial markets. Engine Business customers are serviced through the Company's worldwide distributor network. The engines are used in trucks of all sizes, buses and recreational vehicles, as well as a variety of industrial applications including construction, mining, agriculture, marine, rail and military. Engine Business revenues were $4.0 billion in 2000, a 4 percent decrease from 1999 and a 2 percent increase over 1998. The 2000 discussion and analysis of results has been aligned to reflect the organization structure of the Engine Business in addressing its markets.

Sales of $2.1 billion in the bus and truck markets were 13 percent lower than in 1999 and 5 percent lower than in 1998. In 2000, heavy-duty truck engine revenues of $1.4 billion were 19 percent lower than 1999 and 7 percent lower than 1998, reflecting the downturn in the North American heavy-duty truck market, where shipments were down 35 percent from 1999. This was partially offset by increases in international heavy-duty markets, where shipments increased 34 percent from 1999.

Medium-duty truck and bus engine revenues of $662 million were 4 percent higher than in 1999 and flat compared to 1998. In 2000, medium-duty truck engine volumes were 5 percent lower than in 1999 and reflect a 29 percent decline in North American volumes. This decline was partially offset by a 14 percent shipment increase in international medium-duty truck markets. Bus engine shipments were 41 percent higher than in 1999.

Sales of $830 million in the light commercial vehicle market were 7 percent higher than in 1999 and 16 percent higher than in 1998, reflecting an increase in engine shipments from 1999. Record unit shipments in 2000 to Daimler-Chrysler for the Dodge Ram pickup, while including a sharp downturn in the fourth quarter, were 16 percent higher than in 1999 for the full year.

Sales of $873 million to the construction, agriculture and marine markets were 4 percent higher than in 1999 and 3 percent higher than in 1998. In 2000, shipments were 4 percent higher than in 1999, driven by increases in the construction and marine markets. Shipment declines in North America were more than offset by increases in international markets.

Sales of $241 million to the high horsepower/mining market were 32 percent higher than in 1999 and 16 percent higher than in 1998. Engine shipments were 36 percent higher than in 1999, with higher demand in international markets accounting for much of the increase.

Revenues of $1.4 billion in 2000 for the Power Generation Business were 3 percent higher than in 1999 and 13 percent higher than in 1998. Sales of the Company's generator sets in 2000 were flat compared to 1999. Engine sales to generator set assemblers were up 17 percent from the prior year. Alternator sales decreased 7 percent as compared to 1999. Sales of small generator sets for recreational vehicles and other consumer applications were flat compared to last year.

Sales of $1.2 billion in 2000 for the Filtration Business and Other were 9 percent higher than in 1999 and 1998. In 2000, Fleetguard/Nelson revenues increased 2 percent, but reflected a drop in demand for OEM truck and construction equipment products as well as reduced sales to consumer-oriented small engine and equipment manufacturers. International distributor sales included in this segment increased 13 percent from 1999, while sales of Holset turbochargers increased 26 percent as compared to a year ago.

Net sales by marketing territory for each of the last three years were:

$ Millions	2000	1999	1998

United States	$3,775	$4,064	$3,595
Asia/Australia	905	818	806
Europe/CIS	860	800	791
Mexico/Latin America	451	375	468
Canada	418	473	459
Africa/Middle East	188	109	147
	$6,597	$6,639	$6,266

In total, international markets accounted for 43 percent of the Company's revenues in 2000. Europe and the CIS, representing 13 percent of the Company's sales in 2000, were 8 percent higher than in 1999 and 9 percent higher than in 1998. Sales to Canada, representing 6 percent of sales in 2000, were 12 percent lower than in 1999. Asian and Australian markets, in total, represented 14 percent of the Company's sales in 2000, with increases in sales to Asia from 1999. In Asia, sales to Southeast Asia increased 14 percent, sales to Korea increased 23 percent, sales to China increased 25 percent and sales to Japan and India were slightly higher than 1999 levels. Business in Mexico and Latin America, representing 7 percent of sales in 2000, was 20 percent higher than in 1999. Sales to Africa/Middle East, representing 3 percent of sales in 2000, increased 72 percent from 1999.

Gross Margin:

The Company's gross margin percentage was 19.1 percent in 2000, 21.4 percent in 1999 and 21.4 percent in 1998, excluding the special charges recorded for product coverage and inventory write-downs in 1998. The gross margin percent in 1998 including the special charges was 19.9 percent. Gross margins in 2000 were impacted by lower cost absorption in the Company's heavy-duty plants, changes in product mix, foreign exchange and higher product coverage costs. Product coverage costs were 4.2 percent of net sales in 2000, compared to 3.7 percent in 1999, and 3.3 percent in 1998, excluding the special charges. Including special charges, product coverage costs were 4.5 percent of net sales in 1998.

Operating Expenses:

Selling and administrative expenses were 11.8 percent of net sales in 2000, compared to 11.8 percent in 1999 and 12.5 percent in 1998.

Research and engineering expenses were 3.7 percent of net sales in 2000, compared to 3.7 percent in 1999 and 4.1 percent in 1998.

The Company's income from joint ventures and alliances was $9 million in 2000, compared to losses of $28 million in 1999 and losses of $30 million in 1998. This improvement resulted from the dissolution of the Wartsila joint venture at the end of 1999.

In the past three years, Cummins has recorded restructuring and other charges to reflect business improvement initiatives committed to by the Company's management.

As disclosed in Note 4 to the Consolidated Financial Statements, the Company recorded charges of $160 million ($103 million after tax, or $2.71 per share) reflecting restructuring actions, asset impairments and other activities largely focused in the Engine Business. These actions are taken in response to the downturn in the North American heavy-duty truck market and related conditions. The charges include $42 million attributable to employee severance actions, $72 million for impairment of equipment and other assets, $30 million for impairment of software developed for internal use where the programs were cancelled prior to implementation and $16 million associated with exit costs to close or consolidate a number of smaller business operations. Of the $160 million charge, $131 million was assigned to the Engine Business, $19 million to the Power Generation Business and $10 million to the Filtration Business and Other.

Workforce reduction actions included overall cutbacks in staffing levels plus the impacts of closing and consolidating operations. Restructuring charges for workforce reductions included the severance costs and related benefits of terminating 600 salaried employees and 830 hourly employees. Costs for workforce reductions were based on amounts pursuant to benefit programs or statutory requirements of the affected operations.

The asset impairment loss of $72 million was calculated in accordance with the provisions of SFAS 121. Asset impairment of equipment from discontinuing operations was primarily for engine assembly and fuel system manufacturing equipment to be disposed of upon the closure or consolidation of production operations. The asset impairment charge included a write-down of $38 million for manufacturing equipment that will continue to be used for approximately two years. Depreciation will continue on these assets over that period of time. The expected recovery value of equipment to be disposed of was based on estimated salvage value and was excluded from the write-down. The charge also included $11 million for equipment available for disposal, $6 million for properties available for disposal, $10 million for investments and $7 million for intangibles and minority interest positions related to divesting smaller operations and investments. The carrying value of assets held for disposal and the effect from suspending depreciation on such assets is immaterial.

The asset impairment charge of $30 million consisted of capitalized software-in-process being developed for internal use. The charge was related to manufacturing, financial and administrative information technology programs cancelled during program development and prior to implementation.

Exit costs of $16 million to close or consolidate a number of small businesses and operations included $6 million for equipment removal costs, $5 million to satisfy contractual obligations and $5 million for other exit costs. As the restructuring actions consist primarily of the closing or consolidation of smaller operations, the Company does not expect these actions to have a material effect on future revenues.

Approximately $73 million, primarily related to the write-down of impaired equipment and software and employee severance payments, has been charged to the restructuring liabilities as of December 31, 2000. Of the total charges associated with the restructuring activities, cash outlays will approximate $54 million. The actions will be completed in 2001 and 2002 with the majority of the cash outlays in 2001. The associated annual savings are estimated at $55 million upon completion of the actions.

In December 1999, the Company recorded a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture. The joint venture termination was effective December 31, 1999, with the Company taking over the operations and assets of the product line manufactured in Daventry, England.

The Company recorded charges in 1998 totaling $125 million, comprised of $100 million of costs associated with the Company's plan to restructure, consolidate and exit certain business activities and $25 million for a civil penalty resulting from an agreement reached with the U.S. Environmental Protection Agency (EPA) and the Department of Justice regarding diesel engine emissions. In addition, the Company recorded special charges of $14 million for inventory write-downs associated with restructuring actions.

The Company is concluding the restructuring plan implemented in the third quarter of 1998. In the third quarter of 2000, the Company reversed excess accruals from 1998 of $7 million and recorded $7 million of charges related to new actions committed to during the quarter. Inclusive of the third quarter action, as of December 31, 2000, approximately $127 million has been charged against the liabilities associated with these actions. The Company funded the restructuring actions using cash generated from operations. The remaining actions to be completed consist primarily of the payment of severance commitments to terminated employees in early 2001 and the final EPA payment to be made in July 2001.

Other:

Interest expense of $86 million was $11 million higher than in 1999 and $15 million higher than in 1998. Higher borrowing levels in 2000 accounted for the increase from 1999. Increased borrowings and lower capitalization of interest accounted for the increase as compared to 1998. As disclosed in Note 5 to the Consolidated Financial Statements, other income and expense went from $8 million of expense in 1999 to $1 million of income in 2000, primarily due to non-recurring transactions recorded in both years.

Provision for Income Taxes:

The Company's income tax provision in 2000 was a benefit of $19 million, combining an effective tax rate of 23 percent from operations and an effective tax rate of 35 percent from special charges. The effective tax rate from operations in 2000 reflected reduced taxes on export sales and research tax credits. In 1999, the Company's tax provision was $55 million, reflecting an effective tax rate of 25 percent. In 1998, the Company's tax provision was $4 million, with the tax benefits from export sales and the research credit more than offset by the unfavorable tax effects of nondeductible losses in foreign joint ventures and nondeductible EPA penalty and goodwill amortization.

Minority Interest:

Minority interest in net earnings of consolidated entities was $14 million in 2000, an increase of $8 million from 1999 and an increase of $3 million from 1998. The increase from 1999 was primarily due to higher earnings attributable to minority partners of Cummins India Limited and improved performance of the joint venture with Scania.

CASH FLOW AND FINANCIAL CONDITION

Key elements of cash flows were:

$ Millions	2000	1999	1998
Net cash provided by operating activities	$ 388	$ 307	$ 271
Net cash used in investing activities	(312)	(166)	(752)
Net cash (used in) provided by financing activities	(86)	(105)	471
Effect of exchange rate changes on cash	(2)	-	(1)
Net change in cash	$ (12)	$ 36	$ (11)

During 2000, net cash provided from operating activities was $388 million, reflecting the Company's decline in net earnings and the non-cash effect of depreciation and amortization, reduced by increases in working capital. As disclosed in Note 1 to the Consolidated Financial Statements, the Company sold receivables in 2000 in a securitization program, which yielded proceeds of $219 million. The Company is funding the cash requirements for restructuring actions using cash generated from operations with the majority of the cash requirement expected to occur in 2001. Net cash used in investing activities in 2000 was $312 million and included planned capital expenditures of $228 million. Capital expenditures were $215 million in 1999 and $271 million in 1998. The higher level of net cash requirements in 1998 was due primarily to the acquisition of Nelson. Acquisitions in 2000 included the South Africa distributorship and the purchase of assets from the dissolution of the Wartsila joint venture. Investments in joint ventures and alliances in 2000 of $53 million reflected the net effect of capital contributions and cash generated by certain joint ventures.

Net cash used in financing activities was $86 million in 2000. This cash was used for dividend payments, repurchases of the Company's stock and payments on borrowings. As disclosed in Note 7 to the Consolidated Financial Statements, the Company issued $765 million face amount of notes and debentures in 1998 under a $1 billion registration statement filed with the Securities and Exchange Commission in December 1997. The net proceeds were used to finance the acquisition of Nelson and to pay down other indebtedness outstanding at December 31, 1997. Based on the Company's projected cash flows from operations and existing credit facilities, management believes that sufficient liquidity is available to meet anticipated capital and dividend requirements in the foreseeable future.

Legal/Environmental Matters:

The Company and its subsidiaries are defendants in a number of pending legal actions that arise in the normal course of business, including environmental claims and actions related to use and performance of the Company's products. Such matters are more fully described in Note 17 to the Consolidated Financial Statements. In the event the Company is determined to be liable for damages in connection with such actions or proceedings, the unreserved portion of such liability is not expected to have a material adverse effect on the Company's results of operations, cash flows or financial condition.

Market Risk:

The Company is exposed to financial risk resulting from volatility in foreign exchange rates, interest rates and commodity prices. This risk is closely monitored and managed through the use of derivative contracts. As clearly stated in the Company's policies and procedures, financial derivatives are used expressly for hedging purposes, and under no circumstances are they used for speculating or for trading. Transactions are entered into only with banking institutions with strong credit ratings, and thus the credit risk associated with these contracts is considered immaterial. Hedging program results and status are reported to senior management on a monthly and quarterly basis.

The following section describes the Company's risk exposures and provides results of sensitivity analyses performed on December 31, 2000. The sensitivity tests assumed instantaneous, parallel shifts in foreign currency exchange rates, commodity prices and interest rate yield curves.

A. Foreign Exchange Rates

Due to its international business presence, the Company transacts extensively in foreign currencies. As a result, corporate earnings experience some volatility related to movements in exchange rates. In order to exploit the benefits of global diversification and naturally offsetting currency positions, foreign exchange balance sheet exposures are aggregated and hedged at the corporate level through the use of foreign exchange forward contracts. The objective of the foreign exchange hedging program is to reduce earnings volatility resulting from the translation of net foreign exchange balance sheet positions. A hypothetical, instantaneous, 10 percent adverse movement in the foreign currency exchange rates would decrease earnings by approximately $4 million in the current reporting period. The sensitivity analysis ignores the impact of foreign exchange movements on Cummins' competitive position as well as the remoteness of the likelihood that all foreign currencies will move in tandem against the U.S. dollar. The analysis also ignores the offsetting impact on income of the revaluation of the underlying balance sheet exposures.

B. Interest Rates

The Company currently has in place three interest rate swaps that effectively convert fixed-rate debt into floating-rate debt. The objective of the swaps is to more efficiently balance borrowing costs and interest rate risk. A sensitivity analysis assumed a hypothetical, instantaneous, 100 basis-point parallel increase in the floating interest rate yield curve, after which rates remained fixed at the new, higher level for a one-year period. This change in yield curve would correspond to a $4 million increase in interest expense for the one-year period. This sensitivity analysis does not account for the change in the Company's competitive environment indirectly related to changes in interest rates and the potential managerial action taken in response to these changes.

C. Commodity Prices

The Company is exposed to fluctuation in commodity prices through the purchase of raw materials as well as contractual agreements with component suppliers. Given the historically volatile nature of commodity prices, this exposure can significantly impact product costs. The Company uses commodity swap agreements to partially hedge exposures to changes in copper and aluminum prices. Given a hypothetical, instantaneous, 10 percent depreciation of the underlying commodity price, with prices then remaining fixed for a 12-month period, the Company would experience a loss of approximately $1 million for the annual reporting period. This amount excludes the offsetting impact of decreases in commodity costs.

Forward-looking Statements

This Management's Discussion and Analysis of Results of Operations and Financial Condition, other sections of this Annual Report and the Company's press releases, teleconferences and other external communications contain forward-looking statements that are based on current expectations, estimates and projections about the industries in which Cummins operates and management's beliefs and assumptions. Words, such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Cummins undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include increasing price and product competition by foreign and domestic competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products on a timely, cost-effective basis; the mix of products; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes, including environmental regulations; protection and validity of patent and other intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in increasing use of large, multi-year contracts; the cyclical nature of Cummins' business; the outcome of pending and future litigation and governmental proceedings; and continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support Cummins' future business.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general domestic and international economic conditions, including interest rate and currency exchange rate fluctuations, and other Future Factors.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

See Index to Financial Statements on page 23.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under the caption "Election of Directors" of the Company's definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 3, 2001 ("the Proxy Statement") is incorporated by reference in partial answer to this item. Except as otherwise specifically incorporated by reference, the Proxy Statement is not to be deemed filed as part of this report.

The executive officers of the Company at December 31, 2000 are set forth below. The Chairman of the Board and President are elected annually by the Board of Directors at the Board's first meeting following the Annual Meeting of the Shareholders. Other officers are appointed by the Chairman and ratified by the Board of Directors and hold office for such period as the Board of Directors or Chairman of the Board may prescribe.

Name	Age	Present Position and Business Experience During Last 5 Years
Jean S. Blackwell	46	Vice President - Human Resources (December 1997 to present), Vice President - General Counsel (1997)
John K. Edwards	56	Group President - Power Generation & International and Executive Vice President (April 1996 to present), Managing Director - Central Area (June 2000 to Present), Vice President - International (1989 to 1996)
Mark R. Gerstle	45	Vice President - Cummins Business Services, General Counsel and Secretary (April 2000 to present), Vice President - Cummins Business Services (1998-2000) Vice President and Chief Administrative Officer and Secretary (1997 to 1998), Vice President - Law and Corporate Affairs and Secretary (1997), Vice President - General Counsel and Secretary (1995 to 1997)
Tom Linebarger	37	Vice President and Chief Financial Officer (November 2000 to present), Vice President - Supply Chain Management (1998 to 2000), Managing Director - Holset Engineering Company Limited (1997-1998), Senior Manager - Engineering Operations and Technical Centre Leader, Holset (1996-1997)

F. Joseph Loughrey	51	Executive Vice President and President - Engine Business (October 1999 to present), Executive Vice President and Group President - Industrial and Chief Technical Officer (1996 to 1999), Group Vice President - Worldwide Operations and Technology (1995 to 1996)
Frank J. McDonald	54	Vice President - Quality (May 1999 to present), Vice President - Worldwide Midrange Operations (1996 to 1999)
Rick J. Mills	53	Vice President - Filtration and President - Fleetguard, Inc. (February 2000 to present), Vice President - Corporate Controller (1996-2000)
Theodore M. Solso	53	Chairman and Chief Executive Officer (January 2000 to present), President and Chief Operating Officer (1995-2000)

Name	Age	Present Position and Business Experience During Last 5 Years
Christine M. Vujovich	49	Vice President - Environmental Policy and Product Strategy (October 1999 to present), Vice President - Worldwide Marketing for Bus, Light Commercial Automotive and Environmental Management (1996 to 1999)
John C. Wall	49	Vice President - Chief Technical Officer (March 2000 to present), Vice President - Research and Development (1995-2000)

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the following captions in the Company's Proxy Statement is hereby incorporated by reference: "The Board of Directors and Its Committees", "Executive Compensation -- Compensation Tables and Other Information", "Executive Compensation -- Change of Control Arrangements" and "Executive Compensation -- Compensation Committee Interlocks and Insider Participation".

The Company has adopted various benefit and compensation plans covering officers and other key employees under which certain benefits become payable upon a change of control of the Company. Cummins also has adopted an employee retention program covering approximately 700 employees of the Company and its subsidiaries, which provides for the payment of severance benefits in the event of termination of employment following a change of control of Cummins. The Company and its subsidiaries also have severance programs for other exempt employees of the Company whose employment is terminated following a change of control of the Company. Certain of the pension plans covering employees of the Company provide, upon a change of control of Cummins, that excess plan assets become dedicated solely to fund benefits for plan participants.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A discussion of the security ownership of certain beneficial owners and management appearing under the captions "Principal Security Ownership," "Election of Directors" and "Executive Compensation -- Security Ownership of Management" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under the captions "The Board of Directors and Its Committees," "Executive Compensation - Compensation Committee Interlocks and Insider Participation" and "Other Transactions and Agreements with Directors, Officers and Certain Shareholders" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Documents filed as a part of this report:

1. See Index to Financial Statements on page 23 for a list of the financial statements filed as a part of this report.

2. See Exhibit Index on page 45 for a list of the exhibits filed or incorporated herein as a part of this report.

No reports on Form 8-K were filed during the fourth quarter of 2000.

INDEX TO FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Company's consolidated financial statements and all related information appearing in this Report. The statements and notes have been prepared in conformity with accounting principles generally accepted in the United States and include some amounts, which are estimates based upon currently available information and management's judgment of current conditions and circumstances. The Company engaged Arthur Andersen LLP, independent public accountants, to examine the consolidated financial statements. Their report appears on this page.

To provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit program. The system of accounting and controls is improved and modified in response to changes in business conditions and operations and recommendations made by the independent public accountants and the internal auditors.

The Board of Directors has an Audit Committee whose members are not employees of the Company. The committee meets periodically with management, internal auditors and representatives of the Company's independent public accountants to review the Company's program of internal controls, audit plans and results, and the recommendations of the internal and external auditors and management's responses to those recommendations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Cummins Engine Company, Inc.:

We have audited the accompanying consolidated statement of financial position of Cummins Engine Company, Inc., (an Indiana corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, cash flows and shareholders' investment for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cummins Engine Company, Inc., and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
January 24, 2001

CUMMINS ENGINE COMPANY, INC.

CONSOLIDATED STATEMENT OF EARNINGS

Millions, except per share amounts	2000	1999	1998
Net sales	$6,597	$6,639	$6,266
Cost of goods sold	5,338	5,221	4,925
Special charges		-	92
Gross profit	1,259	1,418	1,249
Selling and administrative expenses	776	781	787
Research and engineering expenses	244	245	255
Net (income) expense from joint ventures and alliances	(9)	28	30
Interest expense	86	75	71
Other (income) expense, net	(1)	8	(13)
Restructuring, asset impairment and other special charges	160	60	125
Earnings (loss) before income taxes	3	221	(6)
Provision (benefit) for income taxes	(19)	55	4
Minority interest	14	6	11
Net earnings (loss)	$ 8	$ 160	$ (21)
Basic earnings (loss) per share	$ .20	$ 4.16	$(.55)
Diluted earnings (loss) per share	.20	4.13	(.55)

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Millions, except per share amounts	December 31, 2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 62	$ 74
Receivables, net of allowance of $8 and $9	724	1,026
Inventories	770	787
Other current assets	274	293
	1,830	2,180
Investments and other assets:		
Investments in joint ventures and alliances	201	131
Other assets	137	143
	338	274
Property, plant and equipment:		
Land and buildings	590	577
Machinery, equipment and fixtures	2,417	2,375
Construction in process	189	168
	3,196	3,120
Less accumulated depreciation	1,598	1,490
	1,598	1,630
Goodwill, net of amortization of $42 and $28	354	364
Other intangibles, deferred taxes and deferred charges	380	249

Total assets	$4,500	$4,697
Liabilities and shareholders' investment		
Current liabilities:		
Loans payable	$ 156	$ 113
Current maturities of long-term debt	8	10
Accounts payable	388	411
Accrued salaries and wages	71	88
Accrued product coverage & marketing expenses	280	246
Income taxes payable	11	40
Other accrued expenses	309	406
	1,223	1,314
Long-term debt	1,032	1,092
Other liabilities	837	788
Minority interest	72	74
Shareholders' investment:		
Common stock, $2.50 par value, 48.6 and 48.3 shares issued	122	121
Additional contributed capital	1,137	1,129
Retained earnings	718	760
Accumulated other comprehensive income	(167)	(109)
Common stock in treasury,at cost,7.2 & 6.8 shares	(290)	(274)
Common stock held in trust for employee benefit plans, 3.1 and 3.4 shares	(151)	(163)
Unearned compensation	(33)	(35)
	1,336	1,429
Total liabilities & shareholders' investment	$4,500	$4,697

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Millions	2000	1999	1998
Cash flows from operating activities:			
Net earnings (loss)	$ 8	$ 160	$ (21)
Adjustments to reconcile net earnings (loss) to net cash from operating activities:			
Depreciation and amortization	240	233	199
Restructuring & other non-recurring actions	132	38	110
Equity in (earnings) losses of joint ventures and alliances	9	35	38
Receivables	54	(200)	(10)
Proceeds from sale of receivables	219	-	-
Inventories	9	(60)	(26)
Accounts payable and accrued expenses	(241)	162	56
Deferred income taxes	2	(31)	(65)
Other	(44)	(30)	(10)
Total adjustments	380	147	292
	388	307	271
Cash flows from investing activities:			
Property, plant and equipment:			
Additions	(228)	(215)	(271)
Disposals	11	22	7
Investments in joint ventures and alliances	(53)	(36)	(22)
Acquisitions and dispositions of business activities	(42)	57	(468)
Other	-	6	2

	(312)	(166)	(752)
Net cash provided by (used in) operating and investing activities	76	141	(481)
Cash flows from financing activities:			
Proceeds from borrowings	1	28	711
Payments on borrowings	(65)	(90)	(161)
Net borrowings (payments) under short-term credit agreements	49	49	(30)
Repurchases of common stock	(16)	(34)	(14)
Dividend payments	(50)	(47)	(46)
Other	(5)	(11)	11
	(86)	(105)	471
Effect of exchange rate changes on cash	(2)	-	(1)
Net change in cash and cash equivalents	(12)	36	(11)
Cash & cash equivalents at beginning of year	74	38	49
Cash & cash equivalents at end of year	$ 62	$ 74	$ 38
Cash payments during the year for:			
Interest	$ 88	$ 82	$ 56
Income taxes	73	56	73

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

Millions, except per share amounts	2000		1999		1998	
Common stock:						
Balance at beginning of year	$ 121		$ 120		$ 120	
Issued to trust for employee benefit plans	-		-		-	
Other	1		1		-	
Balance at end of year	122		121		120	
Additional contributed capital:						
Balance at beginning of year	1,129		1,121		1,119	
Issued to trust for employee benefit plans	(3)		-		-	
Other	11		8		2	
Balance at end of year	1,137		1,129		1,121	
Retained earnings:						
Balance at beginning of year	760		648		715	
Net earnings (loss)	8	$ 8	160	$160	21	$(21)
Cash dividends	(50)		(47)		(46)	
Other	-		(1)		-	
Balance at end of year	718		760		648	
Accumulated other comprehensive income:						
Balance at beginning of year	(109)		(167)		(70)	
Foreign currency translation adjustments		(54)		4		(43)
Minimum pension liability adjustments		(2)		55		(54)
Unrealized losses on securities		(2)		(1)		-
Other comprehensive income	(58)	(58)	58	58	(97)	(97)
Comprehensive income		$(50)		$218		$(118)
Balance at end of year	(167)		(109)		(167)	

Common stock in treasury:			
Balance at beginning of year	(274)	(240)	(245)
Repurchased	(16)	(34)	(14)
Issued	-	-	19
Balance at end of year	(290)	(274)	(240)
Common stock held in trust for employee benefit plans:			
Balance at beginning of year	(163)	(172)	(175)
Issued	-	-	-
Shares allocated to benefit plans	12	9	3
Balance at end of year	(151)	(163)	(172)
Unearned compensation:			
Balance at beginning of year	(35)	(38)	(42)
Shares allocated to participants	2	3	4
Balance at end of year	(33)	(35)	(38)
Shareholders' investment	$1,336	$1,429	$1,272
Shares of stock			
Common stock, $2.50 par value, 150.0 shares authorized			
Balance at beginning of year	48.3	48.1	48.1
Shares issued	.3	.2	-
Balance at end of year	48.6	48.3	48.1
Common stock in treasury			
Balance at beginning of year	6.8	6.1	6.0
Shares repurchased	.4	.7	.4
Shares issued	-	-	(.3)
Balance at end of year	7.2	6.8	6.1
Common stock held in trust for employee benefit plans			
Balance at beginning of year	3.4	3.6	3.7
Shares issued	-	-	-
Shares allocated to benefit plans	(.3)	(.2)	(.1)
Balance at end of year	3.1	3.4	3.6

The accompanying notes are an integral part of this statement.

CUMMINS ENGINE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES:

Principles of Consolidation: The consolidated financial statements include all significant majority-owned subsidiaries. Affiliated companies in which Cummins does not have a controlling interest, or for which control is expected to be temporary, are accounted for using the equity method. Use of estimates and assumptions, as determined by management, is required in the preparation of consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates and assumptions.

Revenue Recognition: The Company recognizes revenues on the sale of its products, net of estimated costs of returns, allowances and sales incentives, when the products are shipped to customers. The Company generally sells its products on open account under credit terms customary to the region of distribution. The Company performs ongoing credit evaluations of its customers and generally does not require collateral to secure its customers' receivables.

Foreign Currency: Assets and liabilities of foreign entities, where the local currency is the functional currency, have been translated at year-end exchange rates, and income and expenses have been translated to US dollars at average-period rates. Adjustments resulting from translation have been recorded in shareholders' investment and are included in net earnings only upon sale or liquidation of the underlying foreign investment.

For foreign entities where the US dollar is the functional currency, including those operating in highly inflationary economies, inventory, property, plant and equipment balances and related income statement accounts have been translated using historical exchange rates. The resulting gains and losses have been credited or charged to net earnings and were net losses of $14 million in 2000, $2 million in 1999 and $5 million in 1998.

Derivative Instruments: The Company makes use of derivative instruments in its foreign exchange, commodity price and interest rate hedging programs. Derivatives currently in use are commodity and interest rate swaps, as well as foreign currency forward contracts. These contracts are used strictly for hedging and not for speculative purposes. Refer to Note 10 for more information on derivative financial instruments.

The Company enters into commodity swaps to offset the Company's exposure to price volatility for certain raw materials used in the manufacturing process. As the Company has the discretion to settle these transactions either in cash or by taking physical delivery, these contracts are not considered financial instruments for accounting purposes. These commodity swaps are accounted for as hedges.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133 on accounting for derivative instruments and hedging activities. The statement is effective for fiscal years beginning after June 15, 2000. The Company will adopt this statement at the beginning of fiscal 2001 and has evaluated and modified its hedging strategy as it applies to the new statement. The statement will not have a material effect on the Company's results of operations.

Other Costs: Estimated costs of commitments for product coverage programs are charged to earnings at the time the Company sells its products.

Research & development expenditures, net of contract reimbursements, are expensed when incurred and were $224 million in 2000, $218 million in 1999 and $228 million in 1998.

Maintenance and repair costs are charged to earnings as incurred.

Cash Equivalents: Cash equivalents include all highly liquid investments with an original maturity of three months or less at the time of purchase.

Accounts Receivable: During 2000, the Company entered into a receivables securitization program and sold trade receivables in securitization transactions to a special purpose subsidiary with principal aggregating $741 million. The subsidiary transfers positions in these receivables to conduits as the basis for issuing commercial paper. The subsidiary obtains receivables from the conduit for approximately 15 percent of a transferred position and receives cash for the remainder of the position. The Company receives annual servicing fees approximating .5 percent of the sold accounts receivable. The conduit investors and the special purpose subsidiary have no recourse to the Company's other assets for failure of debtors to pay when due. For the marketed receivables, the Company's retained interests are subordinated to the conduit's interests. The sold receivables servicing portfolio amounted to $355 million at December 31, 2000.

The table below summarizes certain cash flows received from and paid to the special purpose subsidiary for the year ended December 31, 2000:

$ Millions	
Proceeds from new securitizations	$219
Proceeds from collections reinvested in securitizations	385
Servicing fees received	2
Servicing advances	(12)

Inventories: Inventories are stated at the lower of cost or net realizable value. Approximately 22 percent of domestic inventories (primarily heavy-duty and high-horsepower engines and engine parts) are valued using the last-in, first-out (LIFO) cost method. All other inventories are valued using the first-in, first-out (FIFO) method. Inventories at December 31 were as follows:

$ Millions	2000	1999
Finished products	$404	$402
Work-in-process and raw materials	420	440
Inventories at FIFO cost	824	842
Excess of FIFO over LIFO	(54)	(55)
	$770	$787

Property, Plant and Equipment: Property, plant and equipment are stated at cost. A modified units-of-production method, which is based upon units produced subject to a minimum level, is used to depreciate substantially all engine production equipment. The straight-line depreciation method is used for all other equipment. The estimated depreciable lives range from 20 to 40 years for buildings and 3 to 20 years for machinery, equipment and fixtures.

Long-Lived Assets: The Company evaluates the carrying value of its long-lived assets for impairment whenever adverse events or changes in circumstances indicate that the carrying value of an asset may be impaired. In accordance with SFAS No. 121, if the quoted market price or, if not available, the undiscounted cash flows are not sufficient to support the recorded asset value, an impairment loss is recorded to reduce the carrying value of the asset to the amount of expected discounted cash flows. This same policy is followed for goodwill.

Software: Internal and external software costs (excluding research, reengineering and training) are capitalized and amortized generally over 5 years. Capitalized software, net of amortization, was $110 million at December 31, 2000, $110 million at December 31, 1999 and $75 million at December 31, 1998. Total software amortization expense was $27 million in 2000, $18 million in 1999 and $8 million in 1998.

Earnings Per Share: Basic earnings per share of common stock are computed by dividing net earnings by the weighted-average number of shares outstanding for the period. Diluted earnings per share are computed by dividing net earnings by the weighted-average number of shares, assuming the exercise of stock options when the effect of their exercise is dilutive. Shares of stock held by the employee benefits trust are not included in outstanding shares for EPS until distributed from the trust.

Millions, except per share amounts	Net Earnings (Loss)	Weighted Average Shares	Per share
2000			
Basic	$ 8	38.2	$ .20
Options	-	-	
Diluted	$ 8	38.2	$ .20
1999			
Basic	$160	38.3	$4.16
Options	-	.3	
Diluted	$160	38.6	$4.13
1998			
Basic	$(21)	38.5	$(.55)
Options	-	-	
Diluted	$(21)	38.5	$(.55)

NOTE 2. ACQUISITION: In January 1998, the Company completed the acquisition of Nelson Industries, Inc., for $453 million. Nelson, a

filtration and exhaust manufacturer, was consolidated on the date of acquisition. In accordance with APB No. 16, Nelson's net assets were recorded at fair value, and the purchase price in excess of net assets is amortized over 40 years.

NOTE 3. SPECIAL CHARGES: In 1998, the Company recorded special charges of $92 million for product coverage costs and inventory write-downs. The product coverage special charges of $78 million included $43 million primarily attributable to the recent experience of higher than anticipated base warranty costs to repair certain automotive engines manufactured in previous years, and $35 million related to a revised estimate of product coverage cost liability primarily for extended warranty programs. The special charges also included $14 million for inventory write-downs associated with the Company's restructuring and exit activities. These write-downs related to amounts of inventory rendered excess or unusable due to the closing or consolidation of facilities.

NOTE 4. RESTRUCTURING, ASSET IMPAIRMENT AND OTHER SPECIAL CHARGES: The 2000 financial results included charges of $160 million ($103 million after tax, or $2.71 per share) reflecting restructuring actions, asset impairments and other activities largely focused in the Engine Business. These actions were taken in response to the downturn in the North American heavy-duty truck market and related conditions. The charges included $42 million attributable to employee severance actions, $72 million for impairment of equipment and other assets, $30 million for impairment of software developed for internal use where the programs were cancelled prior to implementation and $16 million associated with exit costs to close or consolidate a number of smaller business operations.

Of the $160 million charge, $131 million was assigned to the Engine Business, $19 million to the Power Generation Business and $10 million to the Filtration Business and Other.

Workforce reduction actions included overall cutbacks in staffing levels plus the impacts of closing and consolidating operations. Restructuring charges for workforce reductions included the severance costs and related benefits of terminating 600 salaried employees and 830 hourly employees. Costs for workforce reductions were based on amounts pursuant to benefit programs or statutory requirements of the affected operations.

The asset impairment loss of $72 million was calculated in accordance with the provisions of SFAS 121. Asset impairment of equipment from discontinuing operations was primarily for engine assembly and fuel system manufacturing equipment to be disposed of upon the closure or consolidation of production operations. The asset impairment charge included a write-down of $38 million for manufacturing equipment that will continue to be used for approximately two years. Depreciation will continue on these assets over that period of time. The expected recovery value of equipment to be disposed of was based on estimated salvage value and was excluded from the write-down. The charge also included $11 million for equipment available for disposal, $6 million for properties available for disposal, $10 million for investments and $7 million for intangibles and minority interest positions related to divesting smaller operations and investments. The carrying value of assets held for disposal and the effect from suspending depreciation on such assets is immaterial.

The asset impairment charge of $30 million consisted of capitalized software-in-process being developed for internal use. The charge was related to manufacturing, financial and administrative information technology programs cancelled during program development and prior to implementation.

Exit costs of $16 million to close or consolidate a number of small businesses and operations included $6 million for equipment removal costs, $5 million to satisfy contractual obligations and $5 million for other exit costs. As the restructuring actions consist primarily of the closing or consolidation of smaller operations, the Company does not expect these actions to have a material effect on future revenues.

Approximately $73 million, primarily related to the write-down of impaired equipment and software and employee severance payments, has been charged to the restructuring liabilities as of December 31, 2000. Of the total charges associated with the restructuring activities, cash outlays will approximate $54 million. The actions will be completed in 2001 and 2002 with the majority of the cash outlays in 2001. The associated annual savings are estimated at $55 million upon completion of the actions.

Activities in the major components of these charges is as follows:

$ Millions	Original Provision	Charges 2000	Balance Dec. 31, 2000
Workforce reductions	$ 42	$(5)	$ 37
Impairment of software	30	(30)	-
Impairment of equipment and other assets	72	(38)	34
Exit costs	16	-	16
	$160	$(73)	$ 87

In December 1999, the Company recorded a charge of $60 million in connection with the dissolution of the Cummins Wartsila joint venture. The charge included $17 million to write off the Company's remaining investment in the joint venture, $29 million for impairment of assets transferred from the joint venture and $14 million for additional warranty and other liabilities assumed by the Company. The joint venture termination was effective December 31, 1999, with the Company taking over the operations and assets of the product line manufactured in Daventry, England.

The asset impairment loss was calculated according to the provisions of SFAS No. 121, using expected discounted cash flows as the estimate of fair value. The majority of the impaired assets are to be held and used in the Company's Power Generation Business, with depreciation continuing on such assets.

In the third quarter of 1998, the Company recorded charges of $125 million, comprised of $100 million for costs to reduce the worldwide workforce by approximately 1,100 people, as well as costs associated with streamlining certain majority-owned and international joint venture operations and $25 million for a civil penalty to be paid by the Company as a result of an agreement reached with the U.S. Environmental Protection Agency (EPA) regarding diesel engine emissions. In addition, the Company recorded special charges of $14 million for inventory write-downs associated with restructuring actions.

The Company is concluding the restructuring plan implemented in the third quarter of 1998. In the third quarter of 2000, the Company reversed excess accruals from 1998 of $7 million and recorded $7 million of charges related to new actions committed to during the quarter. As of December 31, 2000, approximately $127 million has been charged against the liabilities associated with these actions. The Company has funded the restructuring actions using cash generated from operations. The remaining actions to be completed consist primarily of the payment of severance commitments to terminated employees in early 2001 and the remaining payment to the EPA in July 2001.

Activity in the major components of these charges is as follows:

$ Millions	Original Provision	Charges 1998	1999	2000	Balance 12/31/2000
Restructuring of majority-owned operations:					
Workforce reductions	$ 38	$(12)	$(14)	$ (9)	$ 3
Asset impairment loss	22	-	(7)	(15)	-
Facility consolidations and other	17	(8)	(4)	(4)	1
	77	(20)	(25)	(28)	4
Restructuring of joint venture operations:					
Workforce reductions	11	-	(10)	(1)	-
Tax asset impairment loss	7	-	(7)	-	-
Facility & equipment-related costs	5	-	(5)	-	-
	23	-	(22)	(1)	-
Inventory write-downs associated with restructuring actions	14	(5)	(9)	-	-
Total restructuring charges	114	(25)	(56)	(29)	4

EPA penalty	25	-	(8)	(9)	8
Total	$139	$(25)	$(64)	$(38)	$12

NOTE 5. OTHER (INCOME) EXPENSE: The major components of other (income) expense included the following:

$ Millions	2000	1999	1998
Amortization of intangibles	$ 13	$15	$ 14
Interest income	(13)	(7)	(9)
Loss (gain) on sale of businesses	1	1	(7)
Rental income	(7)	(5)	(6)
Royalty income	(2)	(4)	(5)
Foreign currency losses	14	2	5
Non-operating partnership costs	4	6	3
Social tax refunds	-	-	(3)
Sale of scrap	(3)	(1)	(2)
Other	(8)	1	(3)
Total	$ (1)	$ 8	$(13)

NOTE 6. INVESTMENTS IN JOINT VENTURES AND ALLIANCES: Investments in joint ventures and alliances at December 31 were as follows:

$ Millions	2000	1999
Consolidated Diesel	$ 66	$ 11
European Engine Alliance	26	14
Tata Cummins	18	22
Chongqing Cummins	16	16
Dong Feng	16	10
Komatsu alliances	16	18
Behr America	14	15
Other	29	25
	$201	$131

Summary financial information for the joint ventures and alliances was as follows:

$ Millions	December 31, 2000	1999	1998
Net sales	$1,531	$1,334	$1,245
Gross profit	165	101	25
Net earnings (loss)	12	(64)	(105)
Cummins' share	6	(32)	(52)
Current assets	$ 415	$ 302	$ 527
Noncurrent assets	555	485	613
Current liabilities	(335)	(223)	(406)
Noncurrent liabilities	(277)	(284)	(455)
Net assets	$ 358	$ 280	$ 279
Cummins' share	$ 201	$ 131	$ 136

In connection with various joint venture agreements, Cummins is required to purchase products from the joint ventures in amounts to provide for the recovery of specified costs of the ventures. Under the agreement with Consolidated Diesel, Cummins' purchases were $541 million in 2000 and $513 million in 1999.

NOTE 7. BORROWINGS: Long-term debt at December 31 was:

$ Millions	2000	1999
7.125% debentures due 2028	$249	$249
6.45% notes due 2005	225	224
Commercial paper	112	168
5.65% debentures due 2098, net of unamortized		

discount of $39 (effective interest rate 7.48%)	125	125
6.25% notes due 2003	125	125
6.75% debentures due 2027	120	120
Guaranteed notes of ESOP Trust due 2010	58	61
Other	26	30
Total	1,040	1,102
Current maturities	(8)	(10)
Long-term debt	$1,032	$1,092

Maturities of long-term debt for the five years subsequent to December 31, 2000 are $8 million, $10 million, $133 million, $7 million and $232 million. At December 31, 2000 and 1999, the weighted-average interest rate on loans payable and current maturities of long-term debt approximated 7 percent and 6 percent, respectively.

The Company maintains a $500 million revolving credit agreement, maturing in 2003, under which there were no outstanding borrowings at December 31, 2000 or 1999. The revolving credit agreement supports the Company's commercial paper borrowings of $112 million at December 31, 2000 and $168 million at December 31, 1999. In February 1998, the Company issued $765 million face amount of notes and debentures under a $1 billion Registration Statement filed with the Securities and Exchange Commission in 1997. Net proceeds were used to finance the acquisition of Nelson and to pay down other indebtedness outstanding at December 31, 1997. The Company also has other domestic and international credit lines with approximately $135 million available at December 31, 2000.

The Company's debt agreements have several covenants which, among other restrictions, require maintenance of a certain level of net worth, place restrictions on the amount of additional debt the Company may incur and require maintenance of minimum leverage ratios.

In December 2000, the Company paid down certain borrowings with the proceeds from the sale of receivables in a securitization program.

At December 31, 2000 and 1999, loans payable included $139 million and $100 million, respectively, of notes payable to banks and $17 million and $13 million, respectively, of bank overdrafts.

The Company has guaranteed the outstanding borrowings of its ESOP Trust. Cash contributions to the Trust, together with the dividends accumulated on the common stock held by the Trust, are used to pay interest and principal. Cash contributions and dividends to the Trust approximated $9 million in each year. The unearned compensation, which is reflected as a reduction to shareholders' investment, represents the historical cost of the shares of common stock that have not yet been allocated by the Trust to participants.

NOTE 8. OTHER LIABILITIES: Other liabilities at December 31 included the following:

$ Millions	2000	1999
Accrued retirement & post-employment benefits	$552	$511
Accrued product coverage & marketing expenses	170	175
Accrued compensation	51	42
Deferred income taxes	23	1
Other	41	59
	$837	$788

NOTE 9. INCOME TAXES: The provision for income taxes was as follows:

$ Millions	2000	1999	1998
Current:			
U.S. Federal and state	$ 19	$ 43	$ 16
Foreign	35	43	41
	54	86	57
Deferred:			
U.S. Federal and state	(94)	(17)	(34)
Foreign	21	(14)	(19)
	(73)	(31)	(53)
	$(19)	$ 55	$ 4

Significant components of net deferred tax assets related to the following tax effects of differences between financial and tax reporting at December 31:

$ Millions	2000	1999
Employee benefit plans	$276	$282
Product coverage & marketing expenses	134	126
Restructuring charges	64	34
U.S. plant & equipment	(191)	(182)
Net foreign taxable differences, primarily plant and equipment	(19)	9
U.S. Federal carryforward benefits:		
Net operating loss, expiring 2020	34	-
Foreign tax credits, expiring 2005	9	-
General business tax credits, expiring 2009 to 2020	72	22
Minimum tax credits, no expiration	19	15
Other net differences	2	13
	$400	$319

Balance Sheet Classification		
Current assets	$203	$210
Noncurrent assets	220	110
Noncurrent liabilities	(23)	(1)
	$400	$319

The Company expects to realize all of its tax assets, including the use of all carryforwards, before any expiration.

Earnings before income taxes and differences between the effective tax rate and U.S. Federal income tax rate were:

$ Millions	2000	1999	1998
Earnings (loss) before income taxes:			
U.S.	$(136)	$232	$(21)
Foreign	139	(11)	15
	$ 3	$221	$ (6)
Tax at 35 percent U.S. statutory rate	$ 1	$ 77	$ (2)
State taxes	1	3	(1)
Nondeductible special charges	4	-	9
Nondeductible goodwill amortization	3	3	3
Research tax credits	(11)	(15)	(10)
Foreign sales corporation benefits	(12)	(18)	(9)
Differences in rates and taxability of foreign subsidiaries	(3)	10	15
All other, net	(2)	(5)	(1)
	$ (19)	$ 55	$ 4

NOTE 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: The Company is exposed to financial risk resulting from volatility in foreign exchange rates and interest rates. This risk is closely monitored and managed through the use of financial derivative contracts. As clearly stated in the Company's policies and procedures, financial derivatives are used expressly for hedging purposes, and under no circumstances are they used for speculating or trading. Transactions are entered into only with banking institutions with strong credit ratings, and thus the credit risk associated with these contracts is considered immaterial. Hedging program results and status are reported to senior management on a periodic basis.

Foreign Exchange Rates
Due to its international business presence, the Company uses foreign exchange forward contracts to manage its exposure to exchange rate volatility. Foreign exchange balance sheet exposures are aggregated

and hedged at the corporate level. Maturities on these instruments generally fall within the one-month and six-month range. The objective of the hedging program is to reduce earnings volatility resulting from the translation of net foreign exchange balance sheet positions. The total notional amount of these forward contracts outstanding at December 31 was as follows:

$ Millions

Currency	2000	1999
British Pound	$148	$120
Euro	64	47
Australian Dollar	20	19
Hong Kong Dollar	11	8
Mexican Peso	7	-
Japanese Yen	5	7
Canadian Dollar	3	3
Other	2	2
	$260	$206

Interest Rates
The Company manages its exposure to interest rate fluctuations through the use of interest rate swaps. Currently the Company has in place three interest rate swaps that effectively convert fixed-rate debt into floating-rate debt. The objective of the swaps is to more efficiently balance borrowing costs and interest rate risk. The contracts were established during 1998 and 1999 and have a total notional value of $350 million.

Fair Value of Financial Instruments
Based on borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of total debt, including current maturities, at December 31, 2000, approximated $1,138 million. The carrying value at that date was $1,196 million. At December 31, 1999, the fair and carrying values of total debt, including current maturities, were $1,104 million and $1,215 million, respectively. The carrying values of all other receivables and liabilities approximated fair values.

NOTE 11. RETIREMENT PLANS: The Company has various contributory and noncontributory pension plans covering substantially all employees. Cummins common stock represented 9 percent of pension plan assets at December 31, 2000.

Cummins also provides various health care and life insurance benefits to eligible retirees and their dependents but reserves the right to change benefits covered under these plans. The plans are contributory with retirees' contributions adjusted annually, and they contain other cost-sharing features, such as deductibles, coinsurance and spousal contributions. The general policy is to fund benefits as claims and premiums are incurred.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $697 million, $682 million and $558 million, respectively, as of December 31, 2000, and $651 million, $636 million and $513 million, respectively, as of December 31, 1999. The assumed long-term rate of compensation increase for salaried plans was 5.25 percent in 2000 and 1999. Other significant assumptions for the Company's principal plans were:

	Pension Benefits 2000	Pension Benefits 1999	Other Benefits 2000	Other Benefits 1999
Weighted-average discount rate	7.75%	7.5%	7.75%	7.5%
Long-term rate of return on plan assets	10.0%	9.0%		

For measurement purposes a 7 percent annual increase in health care costs was assumed for 2001, decreasing gradually to 5.5 percent in five years and remaining constant thereafter.

Increasing the health care cost trend rate by 1 percent would increase the obligation by $48 million and annual expense by $4 million. Decreasing the health care cost trend rate by 1 percent would decrease the obligation by $43 million and annual expense by $3 million.

The Company's net periodic benefit cost under these plans was as follows:

$ Millions	Pension Benefits 2000	1999	1998	Other Benefits 2000	1999	1998
Service cost	$ 50	$ 53	$ 47	$ 6	$ 8	$ 8
Interest cost	126	116	123	46	40	44
Expected return on plan assets	(161)	(161)	(153)	-	-	-
Amortization of transition asset	(2)	(3)	(4)	-	-	-
Other	9	12	12	3	4	3
	$ 22	$ 17	$ 25	$ 55	$ 52	$ 55

$ Millions	Pension Benefits 2000	1999	Other Benefits 2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,865	$1,907	$ 637	$ 640
Service cost	50	53	6	8
Interest cost	126	116	46	40
Plan participants' contributions	6	7	2	1
Amendments	3	14	-	-
Experience (gain) loss	63	(103)	11	(21)
Benefits paid	(122)	(119)	(37)	(31)
Other	(36)	(10)	-	-
Benefit obligation at end of year	$1,955	$1,865	$ 665	$ 637
Change in plan assets:				
Fair value of plan assets at beginning of year	$1,922	$1,692	$ -	$ -
Actual return on plan assets	162	331	-	-
Employer contribution	62	20	35	30
Plan participants' contributions	6	7	2	1
Benefits paid	(122)	(119)	(37)	(31)
Other	(35)	(9)	-	-
Fair value of plan assets at end of year	$1,995	$1,922	$ -	$ -
Funded status	$ 40	$ 57	$ (665)	$ (637)
Unrecognized:				
Experience (gain) loss (a)	(41)	(103)	70	55
Prior service cost (b)	43	51	(12)	(12)
Transition asset (c)	(2)	(5)	-	-
Net amount recognized	$ 40	$ -	$ (607)	$ (594)
Amounts recognized in the statement of financial position:				
Prepaid benefit cost	$ 110	$ 102	$ -	$ -
Accrued benefit liability	(111)	(114)	(607)	(594)
Intangible asset	38	12	-	-
Accumulated other comprehensive income	3	-	-	-
Net amount recognized	$ 40	$ -	$ (607)	$ (594)

(a) The net deferred (gain) loss resulting from investments, other experience and changes in assumptions.
(b) The prior service effect of plan amendments deferred for recognition over remaining service.
(c) The balance of the initial difference between assets and obligations deferred for recognition over a 15-year period.

NOTE 12. COMMON STOCK: The Company increased its quarterly common stock dividend from 27.5 cents per share to 30.0 cents, effective with the dividend payment in December 1999.

The Company repurchased 0.4 million shares on the open market at an aggregate purchase price of $16 million in 2000, 0.7 million shares on the open market at an aggregate purchase price of $34 million in 1999 and 0.4 million shares on the open market at an aggregate purchase price of $14 million in 1998. All of the acquired shares are held as common stock in treasury.

NOTE 13. SHAREHOLDERS' RIGHTS PLAN: The Company has a Shareholders' Rights Plan which it first adopted in 1986. The Rights Plan provides that each share of the Company's common stock has associated with it a stock purchase right. The Rights Plan becomes operative when a person or entity acquires 15 percent of the Company's common stock or commences a tender offer to purchase 20 percent or more of the Company's common stock without the approval of the Board of Directors.

NOTE 14. EMPLOYEE STOCK PLANS: Under the Company's stock incentive and option plans, officers and other eligible employees may be awarded stock options, stock appreciation rights and restricted stock. Under the provisions of the stock incentive plan, up to one percent of the Company's outstanding shares of common stock at the end of the preceding year is available for issuance under the plan each year. At December 31, 2000, there were no shares of common stock available for grant and 2,319,080 options exercisable under the plans.

The Company accounts for stock options in accordance with APB Opinion No. 25 and related interpretations. No compensation expense has been recognized for stock options since the options have exercise prices equal to the market price of the Company's common stock at the date of grant.

Options	Number of Shares	Weighted-average exercise price
December 31, 1997	1,920,850	46.08
Granted	703,660	45.34
Exercised	(54,075)	36.36
Cancelled	(27,425)	53.80
December 31, 1998	2,543,010	48.08
Granted	886,900	39.74
Exercised	(196,500)	39.71
Cancelled	(40,275)	43.99
December 31, 1999	3,193,135	46.65
Granted	938,750	34.39
Exercised	(11,900)	30.27
Cancelled	(114,355)	51.39
December 31, 2000	4,005,630	44.43

Options outstanding at December 31, 2000 have exercise prices between $19.38 and $79.81 and a weighted-average remaining life of 6.8 years. The weighted-average fair value of options granted was $12.58 per share in 2000 and $13.76 per share in 1999. The fair value of each option was estimated on the date of grant using a risk-free interest rate of 6.5 percent in 2000 and 5.6 percent in 1999 and 1998, current annual dividends, expected lives of 10 years and expected volatility of 41 percent. A fair-value method of accounting for awards subsequent to January 1, 1998, would have resulted in an increase in compensation expense of $8 million, net of tax ($.20 per share) in 2000. $8 million, net of tax ($.20 per share) in 1999 and $8 million, net of tax ($.20 per share) in 1998.

NOTE 15. COMPREHENSIVE INCOME: Comprehensive income includes net income and all other non-owner changes in equity during a period.

The tax effect on other comprehensive income is as follows:

$ Millions	Foreign Currency Translation Adjustments	Unrealized Losses on Securities	Minimum Pension Liability Adjustments	Total Other Comprehensive Income
2000				
Pre-tax amount	$(61)	$(4)	$ (3)	$ (68)
Tax benefit	7	2	1	10
Net amount	$(54)	$(2)	$ (2)	$ (58)
1999				
Pre-tax amount	$ 5	$(1)	$ 84	$ 88
Tax benefit	(1)	-	(29)	(30)
Net amount	$ 4	$(1)	$ 55	$ 58

1998				
Pre-tax amount	$(44)	$(1)	$(83)	$(128)
Tax benefit	1	1	29	31
Net amount	$(43)	$ -	$(54)	$ (97)

The components of accumulated other comprehensive income are as follows:

$ Millions	Foreign Currency Translation Adjustments	Unrealized Losses on Securities	Minimum Pension Liability Adjustments	Accum- ulated Other Compre- hensive Income
2000				
Balance at 12/31/97	$ (68)	$(1)	$ (1)	$ (70)
Change in 1998	(43)	-	(54)	(97)
Balance at 13/31/98	(111)	(1)	(55)	(167)
Change in 1999	4	(1)	55	58
Balance at 12/31/99	(107)	(2)	-	(109)
Change in 2000	(54)	(2)	(2)	(58)
Balance at 12/31/00	$(161)	$(4)	$ (2)	$(167)

NOTE 16. SEGMENTS OF THE BUSINESS: The Company has three operating segments: Engine, Power Generation and Filtration and Other. The Engine segment produces engines and parts for sale to customers in automotive and industrial markets. The engines are used in trucks of all sizes, buses and recreational vehicles, as well as various industrial applications including construction, mining, agriculture, marine, rail and military. The Power Generation segment is the Company's power systems supplier, selling engines, generator sets and alternators and providing temporary power through rentals of generator sets. The Filtration and Other segment includes sales of filtration products, exhaust systems and turbochargers and sales from company-owned distributors.

The Company's operating segments are organized according to products and the markets they each serve. This business structure was designed to focus efforts on providing enhanced service to a wide range of customers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that the Company evaluates performance based on earnings before interest and income taxes and on net assets; therefore, no allocation of debt-related items and income taxes is made to the individual segments.

Operating segment information is as follows:

$ Millions 2000	Engine	Power Generation	Filtration and Other	Total
Net sales	$4,050	$1,395	$1,152	$6,597
Depreciation and amortization	151	47	42	240
Income (expense) from joint ventures and alliances	5	1	3	9
Earnings before interest, income taxes and special charges	24	103	122	249
Special charges	131	19	10	160
Earnings (loss) before interest and income taxes	(107)	84	112	89
Net assets	799	521	892	2,212
Investment in joint ventures and alliances	163	26	12	201
Capital expenditures	143	46	39	228
1999				
Net sales	$4,225	$1,356	$1,058	$6,639
Depreciation and amortization	146	47	40	233
Income (expense) from joint				

ventures and alliances	(4)	(25)	1	(28)
Earnings before interest, income taxes and special charges	182	52	122	356
Special charges	18	42	-	60
Earnings before interest and income taxes	164	10	122	296
Net assets	1,015	553	868	2,436
Investment in joint ventures and alliances	112	11	8	131
Capital expenditures	130	49	36	215
1998				
Net sales	$3,982	$1,230	$1,054	$6,266
Depreciation and amortization	120	40	39	199
Income (expense) from joint ventures and alliances	(4)	(25)	(1)	(30)
Earnings before interest, income taxes and special charges	136	25	121	282
Special charges	165	50	2	217
Earnings (loss) before interest and income taxes	(29)	(25)	119	65
Net assets	946	511	803	2,260
Investment in joint ventures and alliances	132	3	1	136
Capital expenditures	172	67	32	271
Additions to goodwill	12	2	370	384

Reconciliation to Consolidated Financial Statements:

	2000	1999	1998
Earnings before interest and income taxes for operating segments	$ 89	$296	$ 65
Interest expense	86	75	71
Income tax expense (benefit)	(19)	55	4
Minority interest	14	6	11
Net earnings (loss)	$ 8	$160	$(21)

	2000	1999	1998
Net assets for operating segments	$2,212	$2,436	$2,260
Liabilities deducted in arriving at net assets	1,846	1,922	1,926
Deferred tax assets not allocated to segments	423	320	334
Debt-related costs not allocated to segments	19	19	22
Total assets	$4,500	$4,697	$4,542

Summary geographic information is listed below:

$ Millions	US	UK	Canada	All Other	Total
2000					
Net sales (a)	$3,775	$ 382	$ 418	$2,002	$6,597
Long-lived assets	$1,442	$ 207	$ -	$ 286	$1,935
1999					
Net sales (a)	$4,064	$ 400	$ 473	$1,702	$6,639
Long-lived assets	$1,434	$ 206	$ -	$ 264	$1,904
1998					
Net sales (a)	$3,595	$ 389	$ 459	$1,823	$6,266
Long-lived assets	$1,470	$ 209	$ -	$ 272	$1,951

(a) Net sales are attributed to countries based on location of customer.

Revenues from the Company's largest customer represent approximately $1.2 billion of the Company's net sales in 2000. These sales are included in the Engine and Filtration and Other segments.

NOTE 17. GUARANTEES, COMMITMENTS AND OTHER CONTINGENCIES: At December 31, 2000, the Company had the following minimum rental commitments for non-cancelable operating leases: $45 million in 2001, $37 million in 2002, $31 million in 2003, $22 million in 2004, $13 million in 2005 and $63 million thereafter. Rental expense under these leases approximated $79 million in 2000, $75 million in 1999 and $70 million in 1998.

Commitments under outstanding letters of credit, guarantees and contingencies at December 31, 2000, approximated $89 million.

Cummins and its subsidiaries are defendants in a number of pending legal actions, including actions related to use and performance of the Company's products. The Company carries product liability insurance covering significant claims for damages involving personal injury and property damage. In the event the Company is determined to be liable for damages in connection with actions and proceedings, the unreserved portion of such liability is not expected to be material. The Company also has been identified as a potentially responsible party at several waste disposal sites under U.S. and related state environmental statutes and regulations and has joint and several liability for any investigation and remediation costs incurred with respect to such sites. The Company denies liability with respect to many of these legal actions and environmental proceedings and is vigorously defending such actions or proceedings. The Company has established reserves that it believes are adequate for its expected future liability in such actions and proceedings where the nature and extent of such liability can be estimated reasonably based upon presently available information. The Company is working to comply with U.S. EPA regulations with respect to emissions which are scheduled to become more restrictive in 2002 and beyond.

NOTE 18. QUARTERLY FINANCIAL DATA (unaudited):

$ Millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2000					
Net sales	$1,648	$1,769	$1,572	$1,608	$6,597
Gross profit	335	351	310	263	1,259
Net earnings (loss)	42	61	25	(120)	8
Basic earnings (loss) per share	$ 1.09	$ 1.62	$ .66	$(3.16)	$ .20
Diluted earnings (loss) per share	1.09	1.62	.66	(3.16)	.20
1999					
Net sales	$1,505	$1,667	$1,631	$1,836	$6,639
Gross profit	301	371	361	385	1,418
Net earnings	24	58	53	25	160
Basic earnings per share	$ .63	$ 1.51	$ 1.37	$ .65	$ 4.16
Diluted earnings per share	.63	1.50	1.35	.65	4.13

Fourth quarter 2000 net earnings included restructuring, asset impairment and other special charges of $103 million, net of tax ($160 million pretax), or $2.71 per share.

Fourth quarter 1999 net earnings included a charge of $45 million, net of tax ($60 million pretax), or $1.17 per share, for the termination of the Cummins Wartsila joint venture.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CUMMINS ENGINE COMPANY, INC.

By /s/T. Linebarger
T. Linebarger
Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/R. C. Crane
R. C. Crane
Vice President -
Corporate Controller
(Principal Accounting Officer)

Date: March 1, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
* (Theodore M. Solso)	Director & Chairman and Chief Executive Officer (Principal Executive Officer)	March 1, 2001
* (Robert J. Darnall)	Director	March 1, 2001
* (John M. Deutch)	Director	March 1, 2001
* (W. Y. Elisha)	Director	March 1, 2001
* (Hanna H. Gray)	Director	March 1, 2001
* (James A. Johnson)	Director	March 1, 2001

Signatures	Title	Date
* (William I. Miller)	Director	March 1, 2001
* (William D. Ruckelshaus)	Director	March 1, 2001
* (F. A. Thomas)	Director	March 1, 2001
* (J. Lawrence Wilson)	Director	March 1, 2001

By /s/M. R. Gerstle

M. R. Gerstle
Attorney-in-fact

CUMMINS ENGINE COMPANY, INC.
EXHIBIT INDEX

3(a) Restated Articles of Incorporation of Cummins Engine Company, Inc., as amended (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended April 3, 1994, by reference to Quarterly Report on Form 10-Q for the quarter ended October 1, 1989 and by reference to Form 8-K dated July 26, 1990).

3(b) By-laws of Cummins Engine Company, Inc., as amended and restated February 9, 1999 and filed herewith.

4(a) Amended and Restated Credit Agreement (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 29, 1998).

4(b) Rights Agreement, as amended (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1989, by reference to Form 8-K dated July 26, 1990, by reference to Form 8 dated November 6, 1990, by reference to Form 8-A/A dated November 1, 1993, and by reference to Form 8-A/A dated January 12, 1994 and by reference to Form 8-A/A dated July 15, 1996).

10(a) Target Bonus Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1996).

10(b) Deferred Compensation Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1994).

10(c) Key Employee Stock Investment Plan, as amended (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 3, 1994).

10(d) Supplemental Life Insurance and Deferred Income Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1996).

10(e) Financial Counseling Program, (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended July 3, 1994).

10(f) 1986 Stock Option Plan (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1986, Exhibit 10(g)).

10(g) Deferred Compensation Plan for Non-Employee Directors, as amended, effective as of April 15, 1994 (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1994).

10(h) Key Executive Compensation Protection Plan (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended October 2, 1994).

10(i) Excess Benefit Retirement Plan, (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended October 2, 1994).

10(j) Employee Stock Purchase Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1998).

10(k) Retirement Plan for Non-Employee Directors of Cummins Engine Company, Inc., as amended February 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(l) Stock Unit Appreciation Plan effective October 1990 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended April 2, 1995, Exhibit 10(m)).

10(m) Three Year Performance Plan as amended February 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(n) Consulting arrangement with Harold Brown (incorporated by reference to the description thereof provided in the Company's definitive Proxy Statement).

10(o) 1992 Stock Incentive Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10(s)).

10(p) Restricted Stock Plan for Non-Employee Directors, as amended February 11, 1997 (incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended March 30, 1997).

10(q) Executive Retention Plan (incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10(u)).

21 Subsidiaries of the Registrant (filed herewith).

23 Consent of Arthur Andersen LLP (filed herewith).

24 Powers of Attorney (filed herewith).

EXHIBIT 21

CUMMINS ENGINE COMPANY, INC.

SUBSIDIARIES OF THE REGISTRANT

Subsidiary/Joint Venture	State or Country of Incorporation
A. F. Shane, Inc.	Pennsylvania
Anadarko Group, Inc.	United States
Atlas Crankshaft Corporation	Ohio
Auto Diesel Power Plant Ltd.	United Kingdom
Behr America, Inc.	Delaware
Behr Climate Systems, Inc.	Delaware
Behr Heat Transfer Systems, Inc.	Delaware
C. G. Newage Electrical Ltd.	India
Cal Disposition, Inc.	California
Chongqing Cummins Engine Co., Ltd.	China
CNE S/A Industrial	Brazil
Combined Energy Systems	United States
Consolidated Diesel Company	North Carolina
Consolidated Diesel of North Carolina, Inc.	North Carolina
Consolidated Diesel, Inc.	Delaware
Cummins Americas, Inc.	Indiana
Cummins Brasil Ltda.	Brazil
Cummins British Columbia	Canada
Cummins Comercializadora S. de R.L. de C.V.	Brazil
Cummins Corporation	Indiana
Cummins de Centro America Ltda.	Costa Rica
Cummins Diesel Botswana Ltd.	S. Africa
Cummins Diesel Deutschland GmbH	Germany
Cummins Diesel Export Limited	Barbados
Cummins Diesel of Canada Limited	Canada
Cummins Diesel FZE	United Arab Emirates
Cummins Diesel International Limited	Barbados
Cummins Diesel Italia S.P.A.	Italy
Cummins Diesel Japan Ltd.	Japan
Cummins Diesel Ltd.	Canada
Cummins Diesel N.V.	Belgium
Cummins Diesel Sales Corporation	Indiana
Cummins Diesel Sales & Service (India) Ltd.	India
Cummins Diesel Sales & Service (Korea) Ltd.	Korea
Cummins Diesel South Africa (Proprietary) Ltd.	S. Africa
Cummins Distribuor Belgium S.A. N.V.	Belgium
Cummins Eastern Canada, Inc.	Canada
Cummins Engine (Beijing) Co., Ltd.	China
Cummins Engine (China) Investment Co. Ltd.	China
Cummins Engine (Singapore) Pte. Ltd.	Singapore
Cummins Engine Company Limited (NZ)	New Zealand
Cummins Engine Company Limited (UK)	United Kingdom
Cummins Engine Company Pty. Limited	Australia
Cummins Engine H.K. Limited	Hong Kong
Cummins Engine Holding Company, Inc.	Indiana
Cummins Engine IP, Inc.	United States
Cummins Engine Shanghai Services & Trading Co. Ltd.	China
Cummins Engine Venture Corporation	Indiana
Cummins Filtration IP, Inc.	United States
Cummins Finance Ltd.	United Kingdom
Cummins Financial, Inc.	Delaware
Cummins Funding Corporation	Delaware
Cummins Great Lakes, Inc.	Indiana
Cummins India Holdings Ltd.	India
Cummins India Ltd.	India
Cummins Infotech Ltd.	India
Cummins Intellectual Property, Inc.	United States
Cummins International Finance Corporation	Delaware
Cummins KH-12, Inc.	Delaware
Cummins Komatsu Engine Company	Indiana
Cummins Korea, Ltd.	Korea
Cummins Mexicana, S.A. de C.V.	Mexico
Cummins Military Systems Company	Delaware
Cummins Natural Gas Engines, Inc.	Delaware
Cummins Power Gen IP, Inc.	United States
Cummins Power Generation (S) Pte. Ltd.	Singapore
Cummins Power Generation Australia Pty. Ltd.	Australia
Cummins Power Generation Deutschland GmbH	Deutschland
Cummins Power Generation Ltd.	United Kingdom

Cummins Power Generation Mail S.A.	S. Africa
Cummins Power Generation, Inc.	Indiana
Cummins Power Service & Parts Corporation	Hong Kong
Cummins Receivables Corporation	United States
Cummins Research Ltd. Partnership	United States
Cummins S. de R.L. de C.V.	Mexico
Cummins Ten Holdings Ltd.	Canada
Cummins U.K. Limited	United Kingdom
Cummins Venture Corporation	Delaware
Cummins Wartsila Engine Company SAS	France
Cummins Xiangfan Machining Co. Ltd.	China
Cummins Zimbabwe Pvt. Ltd.	Zimbabwe
Cummins-Scania High Pressure Injection, L.L.C.	United States
Diesel ReCon De Mexico, S.A. de C.V.	Mexico
Dieselcomp, Inc.	Indiana
Digisonix, Inc.	Wisconsin
Distribuidora Cummins Ltda. (Argentina)	Argentina
Distribuidora Cummins Sao Paulo Ltda.	Brazil
Dongfeng Cummins Engine Co. Ltd.	China
Empresas Cummins S.A. De C.V.	Mexico
Enceratec, Inc.	Maryland
Engine Systems Ltd.	Pakistan
European Engine Alliance EEIG	England
European Engine Alliance SrL	United Kingdom
Fleetguard Filtration Systems India Pte. Ltd.	India
Fleetguard, Inc.	Indiana
Fleetguard International Corp.	Indiana
Fleetguard International Japan Ltd.	Japan
Fleetguard Korea Ltd.	Korea
Fleetguard Nelson Brasil Comercial Ltda.	Brazil
Fleetguard Nelson Mexico S. de R.L. de C.V.	Mexico
Fleetguard SARL	France
FLNL Servicios S. de R.L. de C.V.	Mexico
Goal Line Technologies, Inc.	United States
Holset Engineering Company Ltd.	United Kingdom
HPI Company	Indiana
Hyperbar USA, Inc.	Indiana
Industria E Comercio Cummins Ltda.	Brazil
Industrial Power Alliance, Ltd.	Japan
Innovative Computing Company	Oklahoma
Integrated Distribution Systems, Inc.	Delaware
KamDizel J.E.	Russia
Komatsu Cummins Chile, Ltda.	Chile
Komatsu Cummins Engine Co., Ltd.	Japan
Kuss Corporation	Ohio
Logstrup Modular Systems Pte. Limited	Singapore
Markon Engineering Company Ltd.	United Kingdom
MHTC Corporation	Delaware
NAP Holdings PTE, Ltd.	Singapore
Nelson-Burgess Ltd.	Canada
Nelson Engine Systems India Private Ltd.	India
Nelson Export Sales Corp.	U.S. Virgin Islands
Nelson Industries Europe, GmbH	Germany
Nelson Industries, Inc.	Wisconsin
Nelson Muffler Canada, Inc.	Canada
Newage Asia Pacific Pte. Ltd.	Asia
Newage Engineers GmbH	Germany
Newage Engineers Pty Ltd.	Australia
Newage International Limited	United Kingdom
Newage Italia S.R.L.	Italy
Newage Ltd. (U.K.)	United Kingdom
Newage Ltd. (USA)	Pennsylvania
Newage Machine Tools Limited	United Kingdom
Newage Norge A/S	Norway
No. 379 Taurus Ventures Ltd.	Canada
Northwest Dieselguard Limited	Canada
Nu-Plant Service Limited	United Kingdom
NWMW, Inc.	United States
Ona Corporation	Alabama
Onan Corporation	Delaware
Onan Eastern Canada, Inc.	Canada
Onan Foreign Holdings, Ltd.	Delaware
Onan International Limited	United Kingdom
Onan New York, Inc.	New York
Pacific World Trade, Inc.	Indiana
Park Avenue Limited Partnership	United States
PBB Transit	Delaware
Petbow Custom Generators Limited	United Kingdom
Petbow Limited	United Kingdom
Petbow Power Projects Limited	United Kingdom
Petbow Welding Products Limited	United Kingdom

PGI (Overseas Holdings) B.V.	The Netherlands
PGI (UK Holdings) Limited	United Kingdom
Power Group International Limited	United Kingdom
Power Group International (Overseas Holdings) Limited	United Kingdom
Power Systems India Ltd.	India
Powertrain Industria e Comercio Ltda.	Brazil
Professional Data Processing, Inc.	Wisconsin
P.T. Newage Engineers Indonesia	Indonesia
Shanghai Fleetguard Filter Co., Ltd.	China
Shanghai Fleetguard International Trading Co.	China
Shenzhen Chongfa Cummins Co., Ltd.	China
Stamford Iberica S.A.	Spain
Tata Cummins Ltd.	India
TATA Holset Private Limited	India
Turbo Europa BV	The Netherlands
VC Lubricating Oil Co. Ltd.	Hong Kong
WABCO Compressor Manufacturing Company	Delaware
Wuxi Holset Engineering Company Limited	China
Wuxi Newage Alternators Ltd.	China
124747 Canada	Canada
14-15 Corporation	Nevada

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 2-32091, 2-53247, 2-58696, 33-2161, 33-8842, 33-31095, 33-37690, 33-46096, 33-46097, 33-46098, 33-50665, 33-56115, 333-2165, 333-31573, 333-42687 and 333-67391.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 3, 2001

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/Theodore M. Solso

Theodore M. Solso
Director & Chairman and
Chief Executive Officer

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/Robert J. Darnall

Robert J. Darnall
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/John M. Deutch

John M. Deutch
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/W. Y. Elisha

W. Y. Elisha
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/Hanna H. Gray

____

Hanna H. Gray
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/James A. Johnson

____

James A. Johnson
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/William I. Miller

____

William I. Miller
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

____

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual

Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/William D. Ruckelshaus

William D. Ruckelshaus
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/F. A. Thomas

F. A. Thomas
Director

CUMMINS ENGINE COMPANY, INC.
POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby constitutes and appoints M. R. Gerstle with full power to act without the other as his true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubstitution for him in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Cummins Engine Company, Inc. ("the Company") for the Company's fiscal year ended December 31, 2000 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 1, 2001

/s/J. Lawrence Wilson

____

J. Lawrence Wilson
Director

EXHIBIT 3(b)

BY-LAWS
OF
CUMMINS ENGINE COMPANY, INC.

(As amended and restated effective as of February 9, 1999)

ARTICLE I
Meetings of Shareholders

Section 1.1. Annual Meetings. Annual meetings of the shareholders of the Corporation shall be held each year on such date, at such hour and at such place within or without the State of Indiana as shall be designated by the Board of Directors. In the absence of such designation, the meeting shall be held on the first Tuesday of April of each year at the principal office of the Corporation at 11:00 a.m. (local time). The Board of Directors may, by resolution, change the date or time of such annual meeting. If the day fixed for any annual meeting of shareholders shall fall on a legal holiday, then such annual meeting shall be held on the first following business day that is not a legal holiday.

Section 1.2. Special Meetings. Special meetings of the shareholders of the Corporation may be called at any time only by the Board of Directors or the Chairman of the Board.

Section 1.3. Proper Business. To be properly brought before an annual meeting, business must be specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notification thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than 90 days in advance of the Originally Scheduled Date of such meeting (provided, however, that if the Originally Scheduled Date of such meeting is earlier than the date specified in these By-Laws as the date of the annual meeting if the Board of Directors does not determine otherwise, such written notice may be so given and received not later than the close of business on the 10th day following the date of the first public disclosure, which may include any public filing by the Corporation with the Securities and Exchange Commission, of the Originally Schedule Date of such meeting). Any such notification by a shareholder shall set forth as to each matter the shareholder proposes to bring before the meeting (a) brief description of the business described to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address of the shareholder proposing such business, (c) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (d) any material interest of the shareholder in such business. To be properly brought before a special meeting of shareholders called pursuant to Section 1.2, business must be specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors or must otherwise be properly brought before the meeting by or at the direction of the Board of Directors. No business shall be conducted at a meeting of shareholders except in accordance with this paragraph, and the chairman of any meeting of shareholders may refuse to permit any business to be brought before a meeting without compliance with the foregoing procedures. For purposes of these By-Laws, the "Originally Scheduled Date" of any meeting of shareholders shall be the date such meeting is scheduled to occur in the notice of such meeting first given to shareholders regardless of whether any subsequent notice is given for such meeting or the record date of such meeting is changed.

Section 1.4. Notices. A written notice, stating the date, time and place of any meeting of the shareholders, and in the case of a special meeting the purpose or purposes for which such meeting is called, shall be delivered or mailed by the Secretary of the

Corporation, to each shareholder of record of the Corporation entitled to notice of or to vote at such meeting no fewer than ten (10) nor more than sixty (60) days before the date of the meeting. Notice of shareholders' meetings, if mailed, shall be mailed, postage prepaid, to each shareholder at the shareholder's address shown in the Corporation's current record of shareholders.

Except as provided by the Indiana Business Corporation Law or the Corporation's Restated Articles of Incorporation, notice of a meeting of shareholders is required to be given only to shareholders entitled to vote at the meeting; provided, however, notice of a meeting of shareholders shall be given to shareholders not entitled to vote if a purpose for the meeting is to vote on any amendment to the Corporation's Restated Articles of Incorporation, a merger or share exchange to which the Corporation would be a party, a sale of the Corporation's assets, or dissolution of the Corporation.

A shareholder or the shareholder's proxy may at any time waive notice of a meeting if the waiver is in writing and is delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records. A shareholder's attendance at a meeting, whether in person or by proxy, (a) waives objection to lack of notice or defective notice of the meeting, unless the shareholder or the shareholder's proxy at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder or the shareholder's proxy objects to considering the matter when it is presented. Each shareholder who has in the matter above provided waived notice or objection to notice of a shareholders' meeting shall be conclusively presumed to have been given due notice of such meeting, including the purpose or purposes thereof.

If an annual or special shareholders' meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment, unless a new record date is or must be established for the adjourned meeting.

Section 1.5. Voting. Except as otherwise provided by the Indiana Business Corporation Law or the Corporation's Restated Articles of Incorporation, each share of the capital stock of any class of the Corporation that is outstanding at the record date established for any annual or special meeting of shareholders and is outstanding at the time of and represented in person or by proxy at the annual or special meeting, shall entitle the record holder thereof, or the record holder's proxy, to one (1) vote on each matter voted on at the meeting.

Section 1.6. Quorum. Unless the Corporation's Restated Articles of Incorporation or the Indiana Business Corporation Law provides otherwise, at all meetings of shareholders a majority of the votes entitled to be cast on a matter, represented in person or by proxy, constitutes a quorum for action on the matter. Action may be taken at a shareholders' meeting only on matters with respect to which a quorum exists; provided, however, that any meeting of shareholders, including annual and special meetings and any adjournments thereof, may be adjourned to a later date although less than a quorum is present. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

Section 1.7. Vote Required to Take Action. If a quorum exists as to a matter to be considered at a meeting of shareholders, action on such matter (other than the election of Directors) is approved if the votes properly cast favoring the action exceed the votes properly cast opposing the action, except as the Corporation's Restated Articles of Incorporation or the Indiana Business Corporation Law require a greater number of affirmative votes. Directors shall be elected by a plurality of the votes properly cast.

Section 1.8. Record Date. Only such persons shall be entitled to notice of or to vote, in person or by proxy, at any shareholders' meeting as shall appear as shareholders upon the books of the Corporation as of such record date as the Board of Directors shall determine, which date may not be earlier than the date seventy (70) days immediately preceding the meeting. In the absence of such determination, the record date shall be the fiftieth (50th) day immediately preceding the date of such meeting. Unless otherwise provided by the Board of Directors, shareholders shall be determined as of the close of business on the record date.

Section 1.9. Proxies. A shareholder's shares may be voted either in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder (including authorizing the proxy to receive, or to waive, notice of any shareholders' meetings within the effective period of such proxy) by signing an appointment form, either personally or by the shareholder's attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes and is effective for eleven (11) months unless a shorter or longer period is expressly provided in the appointment form. The proxy's authority may be limited to a particular meeting or may be general and authorize the proxy to represent the shareholder at any meeting of shareholders held within the time provided in the appointment form. Subject to the Indiana Business Corporation Law and to any express limitation on the proxy's authority appearing on the face of the appointment form, the Corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment.

Section 1.10. Organization. At every meeting of the shareholders, the Chairman of the Board, or, in the Chairman's absence, a person designated by the Chairman shall act as a chairman. The Secretary of the Corporation shall act as secretary of such meeting or, in the Secretary's absence, the chairman shall appoint a secretary.

Section 1.11. Voting Lists. At least five business days before each meeting of shareholders, the officer or agent having charge of the stock transfer books shall make a complete list of the shareholders entitled to notice of a shareholders' meeting, arranged in alphabetical order, with the address and number of shares so entitled to vote held by each, which list shall be on file at the principal office of the Corporation and subject to inspection by any shareholder entitled to vote at the meeting. Such list shall be produced and kept open at the time and place of the meeting and subject to the inspection of any shareholder during the holding of such meeting. The original stock register or transfer book, or a duplicate thereof, kept in this state, shall be the only evidence as to who are the shareholders entitled to examine such list or the stock ledger or transfer book or to vote at any meeting of the shareholders.

Section 1.12. Inspectors of Election. The Board of Directors may appoint Inspectors of Election to serve at meetings of shareholders. If, at the time of any meeting, any Inspector so appointed shall be absent, the presiding officer may appoint an Inspector to serve in place of the absent Inspector.

Section 1.13. Conduct of Meeting. At any meeting of shareholders of the Corporation, the Chairman of the Board (or, in the absence of the Chairman of the Board, such person designated by the Chairman pursuant to Section 1.10 of these By-Laws) shall prescribe the order of business to be conducted at the meeting and establish procedures incident thereto.

ARTICLE II
Directors

Section 2.1. Number, Qualification and Terms. The business and affairs of the Corporation shall be managed under the direction of a Board of Directors. The number of Directors shall be fixed by resolution of the Board of Directors from time to time. It shall be the policy of the Corporation that no person seventy-two years of age or more shall be elected to the Board of Directors. Any Director who attains the age of seventy-two years during the Director's term of office shall be eligible to remain a Director for the duration of the term for which the Director was elected but shall not be eligible for re-election.

Each Director shall be elected for a term of office to expire at the annual meeting of shareholders next following the Director's election, except that each Director elected pursuant to Section 2.2 of this Article II shall hold office until the next annual meeting of shareholders. Despite the expiration of a Director's term, the Director shall continue to serve until the Director's successor is elected and qualified, or until the earlier of the Director's death, resignation, disqualification or removal, or until there is a decrease in the number of Directors.

The Directors and each of them shall have no authority to bind the Corporation except when acting as a Board.

Section 2.2. Vacancies. Any vacancy occurring in the Board of Directors, from whatever cause arising, including an increase in the number of Directors, shall be filled by selection of a successor by a majority vote of the remaining members of the Board of Directors (although less than a quorum) until the next annual meeting of the shareholders.

Section 2.3. Quorum and Vote Required to Take Action. A majority of the whole Board of Directors shall be necessary to constitute a quorum for the transaction of any business, except the filling of vacancies; provided that less than two Directors shall not constitute a quorum. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors present shall be the act of the Board of Directors, unless the act of a greater number is required by the Indiana Business Corporation Law, the Corporation's Restated Articles of Incorporation or these By-Laws.

Section 2.4. Regular Meetings. The Board of Directors shall meet regularly, without notice, at such times and places as may be specified from time to time by the Board of Directors or the Chairman of the Board (but no fewer than one time annually) for the purpose of transacting such business as properly may come before the meeting.

Section 2.5. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or a majority of the Directors upon not less than twenty-four (24) hours' notice given to each Director of the date, time and place of the meeting, which notice need not specify the purpose or purposes of the special meeting. Such notice may be communicated in person (either in writing or orally), by telephone, telegraph, teletype or other form of wire or wireless communication, or by mail, and shall be effective at the earlier of the time of its receipt or, if mailed, five (5) days after its mailing. Notice of any meeting of the Board may be waived in writing at any time if the waiver is signed by the Director entitled to the notice and is filed with the minutes or corporate records. A Director's attendance at or participation in a meeting waives any required notice to the Director of the meeting, unless the Director at the beginning of the meeting (or promptly upon the Director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 2.6. Written Consents. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one (1) or more written consents describing the action taken, signed by each Director, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section 2.6. is effective when the last Director signs the consent, unless the consent specifies a different prior or subsequent effective date, in which cases the action is effective on or as of the specified date. A consent signed under this Section 2.6 shall have the same effect as a unanimous meeting vote of all members of the Board and may be described as such in any document.

Section 2.7. Participation by Conference Telephone. The Board of Directors may permit any or all Directors to participate in a regular or special meeting by, or through the use of, any means of communication, such as conference telephone, by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by such means shall be deemed to be present in person at the meeting.

Section 2.8. Organization. At every meeting of the Board of Directors, the Chairman of the Board, or in the Chairman's absence, a person designated by the Chairman, shall act as chairman. The Secretary of the Corporation shall act as secretary of such meeting or, in the Secretary's absence, the Chairman shall appoint a secretary.

Section 2.9. Resignation. A Director may resign at any time by delivering written notice to the Chairman of the Board, the Secretary of the Corporation, the Board of Directors, or such other officer as the Board of Directors may designate, and such resignation shall become effective upon such delivery unless the notice specifies a later effective date.

Section 2.10. Compensation. Any Director who is also an officer of the Corporation shall receive no separate compensation for serving as Director. Each Director who is not an officer of the Corporation shall be paid such compensation, by way of salary, fees for attendance at meetings of the Board of Directors, special consulting fees, or other remuneration, as shall be fixed from time to time by resolution of the Board of Directors. Each Director shall be reimbursed by the Corporation for travel expenses incurred in attending such meetings.

Section 2.11. Nominations. Nominations for the election of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of Directors who complies fully with the requirements of these By-Laws. Any shareholder entitled to vote for the election of Directors at a meeting may nominate a person or persons for election as Directors only if written notice of such shareholder's intent to make such nominations is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than 90 days in advance of the Originally Scheduled Date of such annual meeting (provided, however, that if the Originally Scheduled Date of such meeting is earlier than the date specified in these By-Laws as the date of the annual meeting if the Board of Directors does not determine otherwise, such written notice may be so given and received not later than the close of business on the 10th day following the date of the first public disclosure, which may include any public filing by the Corporation with the Securities and Exchange Commission, of the Originally Scheduled Date of such meetings). Each such notice shall set forth (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected. The chairman of any meeting of shareholders to elect Directors and the Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. This Section 2.11 shall not affect the right of the holders of either Preference or Preferred Stock to nominate and elect Directors in the event such right arises.

Section 2.12. Chairman of the Executive Committee. The Board of Directors shall elect a Chairman of the Executive Committee from among the members of the Board of Directors. The Chairman of the Executive Committee shall preside at meetings of the Executive Committee, and shall perform such other duties and functions as may be assigned to the Chairman of such Committee from time to time by the Board of Directors.

ARTICLE III
Committees of the Board of Directors

Section 3.1. General.

(a) The Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them, by resolution of the Board of Directors adopted by a majority of all the Directors in office when the resolution is adopted. Each committee may have one (1) or more members, and all the members of a committee shall serve at the pleasure of the Board of Directors.

(b) To the extent specified by the Board of Directors in the resolution creating a committee (as such resolution may be amended by the Board of Directors from time to time), and except as otherwise provided in the Indiana Business Corporation Law, each committee may exercise all of the authority of the Board of Directors.

(c) Except to the extent inconsistent with the resolutions creating a committee, the provisions of these By-Laws which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements and telephone participation in meetings of the Board of Directors, apply to each committee and its members as well.

(d) A member of a committee of the Board of Directors who is also an officer of the Corporation shall receive no separate compensation for serving as a member of such committee. Each member of a committee of the Board of Directors who is not an officer of the Corporation shall be paid such compensation for attendance at committee meetings as shall be fixed from time to time by resolution of the Board of Directors. Committee members shall be reimbursed by the Corporation for travel expenses incurred in attending committee meetings.

Section 3.2. Executive Committee.

(a) The Board of Directors shall elect from its members an Executive Committee consisting of not less than three members to serve at the pleasure of the Board of Directors. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise, except as described in Section 3.1(b) of this Article III, all the power of the Board of Directors in the management and direction of the business and affairs of the Corporation. All Directors, including those Directors who are not designated members of the Executive Committee, may attend meetings of the Executive Committee. The Chairman of the Executive Committee shall preside at all meetings of such Committee. The Secretary of the Corporation, or, in the Secretary's absence, a person appointed by the Chairman of the Executive Committee, shall act as secretary of such Committee.

(b) The Executive Committee shall keep regular minutes of its proceedings and all action by the Committee shall be reported to the Board of Directors at its meeting next following the meeting of the Committee.

Section 3.3. Audit Committee. To the extent the Board of Directors creates and maintains an Audit Committee, such committee shall consist entirely of Independent Directors. For purposes of this Section 3.3, the term "Independent Director" means a director who: (i) has not been employed by the Corporation in an executive capacity within the last five years; (ii) is not, and is not affiliated with a company that is, an advisor or consultant to the Corporation; (iii) is not affiliated with a significant customer or supplier of the Corporation; (iv) has no personal services contract(s) with the Corporation or its senior management; (v) is not affiliated with a not-for-profit entity that receives significant contributions from the Corporation; (vi) within the last five years, has not had any business relationship with the Corporation (other than service as a director) for which the Corporation has been required to make disclosure under Regulation S-K of the Securities and Exchange Commission; (vii) is not employed by a public company at which an executive officer of the Corporation serves as a director; (viii) has not had a relationship described in (i) through (vii) above with any affiliate of the Corporation; and (ix) is not a member of the immediate family of any person described in (i) through (viii) above.

ARTICLE IV
Officers

Section 4.1. Designation and Selection. The Board of Directors shall elect as officers of the Corporation a Chairman of the Board, a Chief Executive Officer, a President, and a Chief Operating Officer. The Chief Executive Officer shall appoint a Secretary and such other officers of the Corporation as the Chief Executive Officer deems appropriate, which appointments shall be presented to the Board of Directors for ratification.

Section 4.2. Duties and Functions.

(a) Chairman of the Board. The Chairman of the Board shall be a member of the Board of Directors and shall, when present, preside at all meetings of the Board of Directors and of the shareholders. The Chairman of the Board shall perform such other duties and functions as may be assigned to the Chairman of the Board from time to time by the Board of Directors.

(b) Chief Executive Officer. The Chief Executive Officer shall be a member of the Board of Directors and shall perform such other duties and functions as may be assigned from time to time by the Board of Directors.

(c) President. The President shall be a member of the Board of Directors and shall perform such other duties and functions as may be assigned the President from time to time by the Board of Directors or the Chief Executive Officer.

(d Chief Operating Officer. The Chief Operating Officer shall be a member of the Board of Directors and shall perform such other duties as may be assigned from time to time by the Board of Directors or the Chief Executive Officer.

(e) Secretary. The Secretary shall keep a record of proceedings at all meetings of the Board of Directors and of the shareholders, shall have custody of the corporate records and seal of the Corporation, shall be responsible for authenticating records of the Corporation, and shall perform such other duties and functions as may be assigned to the Secretary from time to time by the Chairman of the Board.

(f) Other Officers. Each other officer appointed by the Chairman of the Board shall have and perform such powers, duties and functions as may be assigned to such officer from time to time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or the Chief Operating Officer.

Section 4.3. Removal. The Board of Directors may remove any officer at any time with or without cause by resolution adopted by a majority of the whole Board of Directors. An officer appointed by the Chairman of the Board may also be removed at any time, with or without cause, by the Chairman of the Board.

Section 4.4. Resignations. Any corporate officer may resign at any time by delivering written notice thereof to the Board of Directors, the Chairman of the Board or the Secretary. Such resignation shall take effect at the time delivered unless a later time is specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 4.5. Compensation. The Board of Directors shall fix the salary and other compensation for officers of the Corporation who are also Directors of the Corporation and may delegate to the Chairman of the Board authority to fix salaries and other compensation of all remaining officers of the Corporation.

Section 4.6. Special Authority. The Chairman of the Board or the President, or other officers designated by either of them, shall have authority to execute guarantees, indentures for monies borrowed by the Corporation, appointments of powers of attorney and proxies to act on behalf of the Corporation, instruments for the devise or conveyance of real estate or creation of mortgages, bank forms required to open, maintain or close bank accounts, and any other written agreements to which the Corporation shall be a party which pertain to the routine operation of the Corporation and are regularly being made in the ordinary course of carrying on such operations.

Article V
Stock

Section 5.1. Execution. The certificates of stock of the Corporation shall be signed by the President or a Vice President and the Secretary; provided, however, that where such certificates are also signed by a transfer agent or a registrar or both, the signature of such corporate officers may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of its issue.

Section 5.2. Contents. Each certificate shall state on its face the name of the Corporation and that it is organized under the laws of the State of Indiana, the name of the person to whom it is issued, and the number and class of shares and the designation of the series, if any, the certificate represents, and shall state conspicuously on its front or back that the Corporation will furnish the shareholder, upon the shareholder's written request and without charge, a summary of the designations, relative rights, preferences and limitations applicable to each class and the variations in rights, preferences and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series).

Section 5.3. Transfer Agents and Registrars. The Corporation may have one or more transfer agents and one or more registrars of its shares, whose respective duties the Board of Directors may from time to time define. No certificate for shares shall be valid until countersigned by a transfer agent if the Corporation has a transfer agent or until registered by a registrar if the Corporation has a registrar.

Section 5.4. Transfers. Shares of stock shall be transferable on the books of the Corporation by the person named in the certificate or by such person's attorney upon surrender of the certificate properly endorsed. The Corporation may deem and treat the person in whose name shares of stock stand on the books of the Corporation as the owner thereof for purposes of voting, dividends and all other purposes.

Section 5.5. Stock Transfer Records. There shall be entered upon the stock records of the Corporation the number of each certificate issued, the name and address of the registered holder of such certificate, the number, kind and class of shares represented by such certificate, the date of issue, whether the shares are originally issued or transferred, the registered holder from whom transferred and such other information as is commonly required to be shown by such records. The stock records of the Corporation shall be kept as its principal office, unless the Corporation appoints a transfer agent or registrar, in which case the Corporation shall keep at its principal office a complete and accurate shareholders' list giving the names and addresses of all shareholders and the number and class of shares held by each. If a transfer agent is appointed by the Corporation, shareholders shall give written notice of any changes in their addresses from time to time to the transfer agent.

Section 5.6. Loss, Destruction or Mutilation of Certificates. The holder of any shares of the capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board of Directors may, in its discretion, cause to be issued to the holder a new certificate or certificates of stock, upon the surrender of the mutilated certificate, or, in the case of loss or destruction, upon satisfactory proof of such loss or destruction. The Board of Directors may, in its discretion, require the holder of the lost or destroyed certificate or the holder's legal representative to give the Corporation a bond in such sum and in such form, and with such surety or sureties as it may direct, to indemnify the Corporation, its transfer agents and registrars, if any, against any claim that may be made against them or any of them with respect to the capital stock represented by the certificate or certificates alleged to have been lost or destroyed, but the Board of Directors may, in its discretion, refuse to issue a new certificate or certificates, save upon the order of a court having jurisdiction in such matters.

Section 5.7. Form of Certificates. The form of the certificates for shares of the capital stock of the Corporation shall conform to the requirements of Section 5.2 of the By-Laws and be in such printed form as shall from time to time be approved by resolution of the Board of Directors.

ARTICLE VI
Indemnification of Directors and Officers

Section 6.1. Mandatory. The Corporation shall, to the fullest extent permitted by Sections 1 through 13 of Indiana Code Ch. 23-1-37 as in effect April 1, 1986, (i) indemnify any person who is or was a Director or officer of the Corporation (and the heirs and legal representatives thereof) against expenses (including attorneys' fees), judgments, fines, and penalties and amounts paid in settlement resulting from any action, suit or proceeding threatened or brought against such person by reason of such person's serving in such position or serving another enterprise in any capacity at the request of the Corporation, and (ii) pay for or reimburse the reasonable expenses incurred by such person in advance of the final disposition of the action, suit or proceeding.

Section 6.1. Discretionary. Separate and apart from, and in addition to, the mandatory indemnification required under Section 6.1 of this Article, the Corporation may, in its sole discretion, provide for indemnification of any person in accordance with the provisions of Indiana Code Ch. 23-1-37, as from time to time amended, or superseding statutory provisions.

Section 6.3. Other Capacity Service. Any Director or officer of the Corporation serving in any capacity (i) another corporation, of which a majority of the shares entitled to vote in the election of its directors is held, directly or indirectly, by the Corporation, or (ii) any employee benefit plan of the Corporation or of another corporation described in Subsection (i) of this Section, shall be deemed to be doing so at the request of the Corporation.

Section 6.4. Applicable Law. Any person entitled to be indemnified as a matter of right pursuant to this Article VI may elect to have the right to indemnification interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events giving rise to the action, suit or proceeding, to the extent permitted by Indiana law, or on the basis of the applicable law in effect at the time indemnification is sought.

Section 6.5. Rights. The right to be indemnified pursuant to this Article VI (i) shall be a contract right of each individual entitled to be indemnified hereunder, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist with respect to events occurring prior to any rescission or restrictive modification of this Article VI.

Section 6.6. Claims. If a claim for indemnification pursuant to this Article VI is not paid in full by the Corporation within ninety days after a written request therefor has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled also to be paid the expense of prosecuting such claim. Neither the failure of the Corporation (including its Board of Directors, special legal counsel or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct, nor an actual determination by the Corporation (including its Board of Directors, special legal counsel or its shareholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant had not met the applicable standard of conduct.

ARTICLE VII
Miscellaneous

Section 7.1. Indiana Business Corporation Law. The provisions of the Indiana Business Corporation Law, as amended, applicable to all matters relevant to, but not specifically covered by, these By-Laws are hereby, by reference, incorporated in and made a part of these By-Laws.

Section 7.2. Fiscal Year. The fiscal year of the Corporation shall end on the 31st of December of each year.

Section 7.3. Control Share Act. The provisions of Chapter 42 of the Indiana Business Corporation Law, Ind. Code 23-1-42-1 et seq., shall not apply to control share acquisitions of shares of the Corporation.

Section 7.4. Seal. The Corporation shall have a corporate seal, which shall have inscribed the name of the Corporation and the word "INDIANA" around the outer edge and the words "CORPORATE SEAL" in the center.

Section 7.5. Contracts and Other Instruments. Bonds, contracts, deeds, leases and other obligations and instruments of the Corporation may be signed in the name of and on behalf of the Corporation by (i) officers or their designees, and (ii) agents of the Corporation as may be specifically authorized by resolution of the Board of Directors.

Section 7.6. Books and Records. Subject to the laws of the State of Indiana, the books of account, records, documents and papers of the Corporation may be kept at any place or places within or without the State of Indiana.

Section 7.7. Amendments. These By-Laws may be rescinded, changed or amended, and provisions hereof may be waived, at any meeting of the Board of Directors by the affirmative vote of a majority of the entire number of Directors at the time, except as otherwise required by the Corporation's Restated Articles of Incorporation or by the Indiana Business Corporation Law.

Section 7.8. Definition of Articles of Incorporation and Restated Articles of Incorporation. The term "Articles of Incorporation" and "Restated Articles of Incorporation" as used in these By-Laws mean the Restated Articles of Incorporation of the Corporation as from time to time in effect.