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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF EARNINGS  
Unaudited  
(Millions, Except per Share Amounts)  
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	First Quarter Ended	
	4/3/94	4/4/93
	~~~~~	~~~~~
NET SALES	\$1,099.2	\$1,048.4
Cost of goods sold	828.6	797.4
	~~~~~	~~~~~
GROSS PROFIT	270.6	251.0
Selling & administrative expenses	148.6	140.6
Research & engineering expenses	54.0	49.6
Interest expense	4.5	9.6
Other expense	-	3.4
	~~~~~	~~~~~
Earnings before income taxes	63.5	47.8
Provision for income taxes	8.9	6.7
	~~~~~	~~~~~
NET EARNINGS	54.6	41.1
Preference stock dividends	-	2.1
	~~~~~	~~~~~
EARNINGS AVAILABLE FOR COMMON SHARES	\$ 54.6	\$ 39.0
	~~~~~	~~~~~
Primary earnings per common share	\$ 1.35	\$ 1.12
Fully diluted earnings per common share	1.35	1.07
Cash dividends declared per common share	.125	.025

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
Unaudited  
(Millions, Except per Share Amounts)  
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|                 | 4/3/94 | 12/31/93 |
|-----------------|--------|----------|
|                 | ~~~~~  | ~~~~~    |
| ASSETS          |        |          |
| CURRENT ASSETS: |        |          |

|                                                                                    |           |           |
|------------------------------------------------------------------------------------|-----------|-----------|
| Cash and cash equivalents                                                          | \$ 94.9   | \$ 77.3   |
| Receivables less allowances of \$10.0 & \$9.5                                      | 472.7     | 426.3     |
| Inventories                                                                        | 485.6     | 440.2     |
| Other current assets                                                               | 131.6     | 127.9     |
|                                                                                    | ~~~~~     | ~~~~~     |
|                                                                                    | 1,184.8   | 1,071.7   |
| INVESTMENTS AND OTHER ASSETS                                                       | 200.9     | 190.7     |
| PROPERTY, PLANT & EQUIPMENT less accumulated depreciation of \$1,250.1 & \$1,222.3 | 962.6     | 958.2     |
| INTANGIBLES, DEFERRED TAXES & DEFERRED CHARGES                                     | 169.7     | 170.0     |
|                                                                                    | ~~~~~     | ~~~~~     |
| TOTAL ASSETS                                                                       | \$2,518.0 | \$2,390.6 |
|                                                                                    | ~~~~~     | ~~~~~     |
| LIABILITIES AND SHAREHOLDERS' INVESTMENT                                           |           |           |
| CURRENT LIABILITIES:                                                               |           |           |
| Loans payable                                                                      | \$ 37.4   | \$ 13.4   |
| Current maturities of long-term debt                                               | 32.6      | 32.6      |
| Accounts payable                                                                   | 284.9     | 267.5     |
| Other current liabilities                                                          | 417.7     | 386.8     |
|                                                                                    | ~~~~~     | ~~~~~     |
|                                                                                    | 772.6     | 700.3     |
|                                                                                    | ~~~~~     | ~~~~~     |
| LONG-TERM DEBT                                                                     | 188.3     | 189.6     |
|                                                                                    | ~~~~~     | ~~~~~     |
| OTHER LIABILITIES                                                                  | 684.1     | 679.6     |
|                                                                                    | ~~~~~     | ~~~~~     |
| SHAREHOLDERS' INVESTMENT:                                                          |           |           |
| Convertible preference stock, no par value, .2 shares outstanding                  | -         | 112.2     |
| Common stock, \$2.50 par value, 43.7 & 40.6 shares issued                          | 109.1     | 101.5     |
| Additional contributed capital                                                     | 922.4     | 822.8     |
| Retained earnings                                                                  | 53.5      | 4.1       |
| Common stock in treasury, at cost, 2.1 shares                                      | (67.3)    | (67.3)    |
| Unearned ESOP compensation                                                         | (55.0)    | (59.3)    |
| Cumulative translation adjustments                                                 | (89.7)    | (92.9)    |
|                                                                                    | ~~~~~     | ~~~~~     |
|                                                                                    | 873.0     | 821.1     |
|                                                                                    | ~~~~~     | ~~~~~     |
| TOTAL LIABILITIES & SHAREHOLDERS' INVESTMENT                                       | \$2,518.0 | \$2,390.6 |
|                                                                                    | ~~~~~     | ~~~~~     |
|                                                                                    | ~~~~~     | ~~~~~     |

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Unaudited (Millions)

|                                                                              | First Quarter Ended |         |
|------------------------------------------------------------------------------|---------------------|---------|
|                                                                              | 4/3/94              | 4/4/93  |
|                                                                              | ~~~~~               | ~~~~~   |
| CASH FLOWS FROM OPERATING ACTIVITIES:                                        |                     |         |
| Net earnings                                                                 | \$ 54.6             | \$ 41.1 |
|                                                                              | ~~~~~               | ~~~~~   |
| Adjustments to reconcile net earnings to net cash from operating activities: |                     |         |
| Depreciation and amortization                                                | 29.0                | 31.7    |
| Accounts receivable                                                          | (44.8)              | (65.8)  |
| Inventories                                                                  | (43.5)              | (22.3)  |
| Accounts payable and accrued expenses                                        | 51.3                | 31.9    |
| Other                                                                        | 6.8                 | 7.4     |
|                                                                              | ~~~~~               | ~~~~~   |
| Total adjustments                                                            | (1.2)               | (17.1)  |
|                                                                              | ~~~~~               | ~~~~~   |
| Net cash provided by operating activities                                    | 53.4                | 24.0    |
|                                                                              | ~~~~~               | ~~~~~   |
| CASH FLOWS FROM INVESTING ACTIVITIES:                                        |                     |         |
| Property, plant and equipment:                                               |                     |         |
| Additions                                                                    | (34.4)              | (27.3)  |
| Disposals                                                                    | 2.7                 | .3      |
| Investments in and advances to affiliates and unconsolidated companies       | (16.2)              | 21.6    |
| Acquisitions of new business activities                                      | -                   | 3.4     |
| Net cash proceeds from the disposition of certain business activities        | -                   | 1.3     |
|                                                                              | ~~~~~               | ~~~~~   |
| Net cash used in investing activities                                        | (47.9)              | (.7)    |
|                                                                              | ~~~~~               | ~~~~~   |
| NET CASH FLOWS FROM OPERATING & INVESTING ACTIVITIES                         | 5.5                 | 23.3    |
|                                                                              | ~~~~~               | ~~~~~   |
| CASH FLOWS FROM FINANCING ACTIVITIES:                                        |                     |         |
| Proceeds from borrowings                                                     | -                   | 48.6    |

|                                                         |         |         |
|---------------------------------------------------------|---------|---------|
| Payments on borrowings                                  | ( 1.9)  | (69.8)  |
| Net borrowings under credit agreements                  | 24.1    | 21.5    |
| Payments of dividends                                   | ( 5.2)  | ( 2.9)  |
| Other                                                   | ( 5.0)  | ( 5.6)  |
|                                                         | ~~~~~   | ~~~~~   |
| Net cash provided by (used for)<br>financing activities | 12.0    | ( 8.2)  |
|                                                         | ~~~~~   | ~~~~~   |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH                 | .1      | ( .3)   |
|                                                         | ~~~~~   | ~~~~~   |
| NET CHANGE IN CASH & CASH EQUIVALENTS                   | 17.6    | 14.8    |
| Cash & cash equivalents at beginning of year            | 77.3    | 54.2    |
|                                                         | ~~~~~   | ~~~~~   |
| CASH & CASH EQUIVALENTS AT END OF QUARTER               | \$ 94.9 | \$ 69.0 |
|                                                         | ~~~~~   | ~~~~~   |
|                                                         | ~~~~~   | ~~~~~   |

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Unaudited  
(Dollars in Millions, Unless Otherwise Stated)  
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NOTE 1. ACCOUNTING POLICIES: The CONSOLIDATED FINANCIAL STATEMENTS for the interim periods ended April 3, 1994 and April 4, 1993 have been prepared in accordance with the accounting policies described in the Company's Annual Report to Shareholders and Form 10-K. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods. Inventory values at interim reporting dates are based upon estimates of the annual adjustments for taking physical inventory and for the change in cost of LIFO inventories.

NOTE 2. INCOME TAXES: Income tax expense is reported during the interim reporting periods on the basis of the estimated annual effective tax rate for the taxable jurisdictions in which the Company operates. In the first quarter of 1994 and 1993, the Company recognized approximately \$11 and \$10, respectively, related to a reduction in its valuation allowance for tax loss carryforwards.

NOTE 3. Preference Stock Redemption: On January 24, 1994, the Company called for redemption, at a price of \$51.05 per depositary share, plus accrued dividends, of its outstanding Convertible Exchangeable Preference Stock, which had a face value of \$112.2 at December 31, 1993. Holders elected to convert their shares into 2.9 million shares of common stock prior to the redemption date. Had the stock conversion occurred on January 1, 1994, pro forma net earnings per share would have approximated \$1.31 in the first quarter of 1994.

NOTE 4. EARNINGS PER SHARE: Primary earnings per share of common stock are computed by subtracting preference stock dividend requirements from net earnings and dividing that amount by the weighted average number of common shares outstanding during the period. The weighted average number of shares, which includes the exercise of certain stock options granted to employees, was 40.3 million in the first quarter of 1994 and 34.8 million in the first quarter of 1993. Fully diluted earnings per share are computed by dividing net earnings by the weighted average number of shares assuming the exercise of stock options and conversion of debt and preference stock to common stock.

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION  
(Dollars In Millions, Unless Otherwise Stated)  
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OVERVIEW  
~~~~~

Cummins continued to benefit from strong business conditions in most of its markets in the first quarter of 1994. Net sales were \$1,099.2, compared to \$1,048.4 in the first quarter of 1993. Net earnings were \$54.6, or \$1.35 per share, in the first quarter of 1994, compared to \$4.1, or \$1.12 per share, in the first quarter of 1993. The North American heavy-duty truck market remained at high levels of production. Sales of midrange engines were higher than in the first quarter of 1993. However, in the first quarter of 1994, midrange engine sales in North America were reduced because of advance purchases made by some

truck and bus customers at the end of 1993 to avoid price increases. Power generation sales benefited from improvements in the market for power units in recreational vehicles. Sales to industrial markets also increased, particularly for construction and agricultural applications.

RESULTS OF OPERATIONS

The percentage relationships between net sales and other elements of the Company's CONSOLIDATED STATEMENT OF EARNINGS for the comparative reporting periods were:

Percent of Net Sales	First Quarter	
	1994	1993
Net sales	100.0	100.0
Cost of goods sold	75.4	76.1
Gross profit	24.6	23.9
Selling and administrative expenses	13.5	13.4
Research and engineering expenses	4.9	4.7
Interest expense	.4	.9
Other expense	-	.3
Earnings before income taxes	5.8	4.6
Provision for income taxes	.8	.7
Net earnings	5.0	3.9

Sales by Market

Sales for each of the Company's markets for the comparative reporting periods were:

	First Quarter 1994		First Quarter 1993	
	Dollars	Percent	Dollars	Percent
Heavy-duty truck	335	31	324	31
Midrange truck	100	9	86	8
Power generation	230	21	213	20
Bus & light commercial vehicles	156	14	147	14
Industrial products	124	11	118	11
Government	15	1	28	3
Marine	17	2	17	2
Fleetguard, Holset and Cummins Electronics (a)	122	11	115	11
Net sales	1,099	100	1,048	100

(a) Included sales of McCord in the first quarter of 1993.

Sales of \$335 to the heavy-duty market in the first quarter of 1994 were 3 percent higher than in the first quarter of 1993. This increase was attributable to the strong North American heavy-duty market. In the first quarter of 1994, the Company's heavy-duty engine shipments in North America increased 9 percent over the first-quarter 1993 level. The Company continues to lead this market with a 34-percent market share. In general, shipments of the Company's heavy-duty truck engines for international markets in the first quarter of 1994 were essentially level with the first quarter of 1993.

Midrange truck engine sales in the first quarter of 1994 were \$14 higher than in the first quarter of 1993. The effect of a decrease in shipments of midrange engines for the North American market was offset by an increase in shipments to international markets, primarily in the United Kingdom where there were unusually low shipments in the first quarter of 1993. The first-quarter 1994 decrease in North American shipments was due to advance purchases by some midrange engine truck customers at the end of 1993 to avoid price increases. Shipments of these engines are projected to increase in the second quarter of 1994.

Power generation sales in the first quarter of 1994 were \$230, compared to \$213 in the first quarter of 1993. The 8-percent increase was due to a strengthening of the market for power units in recreational vehicles and the continued increase in demand for alternators. Power generation sales also continued to benefit from demand for industrial generator sets in international markets.

In the bus and light commercial vehicle market, the Company's sales were \$156 in the first quarter of 1994, compared to \$147 in the first quarter of 1993. The 6-percent increase in sales was due primarily to pricing actions, with actual engine shipments approximately 9 percent lower than first-quarter 1993. The lower level of engine shipments was due primarily to advance purchases of midrange engines for the North American bus market at the end of 1993.

Sales to industrial markets increased 5 percent in the first quarter of 1994, compared to the first quarter of 1993. This increase in sales was due primarily to improvements in both North American and international construction markets. Shipments for the agricultural market in North America also showed modest gains in the first quarter of 1994.

Engine shipments for all markets in the first quarter of 1994 were 69,900, compared to 67,900 in the first quarter of 1993. Shipments by engine family for the comparative periods were:

	First Quarter	
	1994	1993
	~~~~~	~~~~~
Midrange engines	45,000	44,300
Heavy-duty engines	23,000	21,600
High-horsepower engines	1,900	2,000
	~~~~~	~~~~~
Total engine shipments	69,900	67,900
	~~~~~	~~~~~
	~~~~~	~~~~~

Gross Profit  
~~~~~

The Company's gross profit percentage was 24.6 percent in the first quarter of 1994, compared to 23.9 percent in the first quarter of 1993. The key factors contributing to the improved margin in the first quarter of 1994 were the increase in demand for the Company's products and the full-year effect of price increases subsequent to the first quarter of 1993. This was partially offset by an increase in costs associated with product coverage programs. The cost of these programs, which includes both warranty and extended coverage, was 2.7 percent of net sales in the first quarter of 1994, compared to 2.2 percent of net sales in the first quarter of 1993. This increase was attributable to higher product coverage provisions for new product introductions.

Operating Expense  
~~~~~

Selling and administrative expenses were \$148.6, or 13.5 percent of net sales, in the first quarter of 1994, compared to \$140.6, or 13.4 percent of net sales, in the first quarter of 1993. The increase in expenditures in the first quarter of 1994 was primarily attributable to the increase in demand for the Company's products. The increase of \$4.4 in research and engineering expenses in the first quarter of 1994, compared to the first quarter of 1993, was due to increased expenditures for fuel systems and for ongoing product development.

Interest Expense  
~~~~~

Interest expense was \$4.5 in the first quarter of 1994, compared to \$9.6 in the first quarter of 1993. The decrease in interest expense in the first quarter of 1994 was due to the Company's early retirement and redemption of debt obligations during 1993.

Provision For Income Taxes  
~~~~~

As disclosed in NOTE 2 to the CONSOLIDATED FINANCIAL STATEMENTS, the Company reduced its valuation allowance for tax loss carryforwards approximately \$11 in the first quarter of 1994 and \$10 in the first quarter of 1993.

FINANCIAL CONDITION AND CASH FLOW  
~~~~~

Key elements of the CONSOLIDATED STATEMENT OF CASH FLOWS were:

|                                           | 1994   | 1993   |
|-------------------------------------------|--------|--------|
|                                           | ~~~~~  | ~~~~~  |
| Net cash provided by operating activities | \$53.4 | \$24.0 |
| Net cash used for investing activities    | (47.9) | (.7)   |
|                                           | ~~~~~  | ~~~~~  |

|                                                        |        |        |
|--------------------------------------------------------|--------|--------|
| Net cash flows from operating and investing activities | 5.5    | 23.3   |
| Net cash provided by (used for) financing activities   | 12.0   | (8.2)  |
| Effect of exchange rate changes on cash                | .1     | (.3)   |
|                                                        | ~~~~~  | ~~~~~  |
| Net change in cash and cash equivalents                | \$17.6 | \$14.8 |
|                                                        | ~~~~~  | ~~~~~  |
|                                                        | ~~~~~  | ~~~~~  |

During the first quarter of 1994, the Company generated cash flows from operating activities of \$53.4, compared to \$24.0 in the first quarter of 1993, due to improved earnings and a reduction in net working capital requirements. Investing activities required net cash resources of \$47.9 for capital expenditures and investments in and advances to affiliates and unconsolidated companies. Cash reserves increased \$17.6 during the quarter to \$94.9.

On January 24, 1994, the Company called for redemption, at a price of \$51.05 per depositary share, plus accrued dividends, its outstanding Convertible Exchangeable Preference Stock, which had a face value of \$112.2 at December 31, 1993. In lieu of accepting the cash redemption price, virtually all of the holders elected to convert their preference stock into common stock of the Company. As a result, the Company issued 2.9 million shares of common stock to the holders.

Total indebtedness (including the guaranteed notes of the ESOP Trust) was \$258.3 at the end of the first quarter of 1994, compared to \$235.6 at December 31, 1993. The Company's debt-to-capital ratio was 22.8 percent at the end of the first quarter and 22.3 percent at December 31, 1993.

On January 25, 1994, Moody's Investors Service upgraded the ratings of the senior debt of the Company to investment grade (from Ba1 to Baa2). Moody's stated that the action reflected the favorable intermediate-term outlook for the Company's sales and operating performance as a result of the Company's stronger and more diversified customer base, the expansion of its international presence and better cost controls.

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PART II. OTHER INFORMATION  
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Item 4. Submission of Matters to a Vote of Security Holders  
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The Company held its annual meeting of security holders on April 5, 1994 at which security holders: (a) elected 14 directors of the Company for the ensuing year, (b) ratified the appointment of Arthur Andersen & Co., as auditors for the year 1994, (c) approved the Cummins Engine Company, Inc., Restricted Stock Plan for Non-Employee Directors, and (d) amended the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 150,000,000 shares.

Results of the voting in connection with each of the items were as follows:

Voting on Directors:  
~~~~~

	For ~~~~~	Withheld ~~~~~
H. Brown	34,542,776	226,628
R. Darnall	34,557,124	212,280
J. D. Donaldson	34,430,683	338,721
W. Y. Elisha	34,559,371	210,033
H. H. Gray	34,548,706	220,698
J. A. Henderson	34,573,197	196,207
D. G. Mead	34,428,226	341,178
J. I. Miller	34,558,903	210,501
W. I. Miller	34,571,279	198,125
D. S. Perkins	34,559,081	210,323
W. D. Ruckelshaus	34,563,696	205,708
H. B. Schacht	34,568,560	200,844
F. A. Thomas	34,560,531	208,873
J. L. Wilson	34,558,981	210,423

Ratification of Accountants:  
~~~~~

| For<br>~~~~~ | Against<br>~~~~~ | Abstain<br>~~~~~ |
|--------------|------------------|------------------|
|--------------|------------------|------------------|

34,601,673                      89,088                      78,643

Restricted Stock Plan:

~~~~~

For	Against	Abstain
~~~~~	~~~~~	~~~~~
34,168,688	421,624	179,092

Restated Articles of Incorporation:

~~~~~

|            |           |         |
|------------|-----------|---------|
| For        | Against   | Abstain |
| ~~~~~      | ~~~~~     | ~~~~~   |
| 29,998,915 | 4,551,308 | 219,181 |

With regard to the election of directors, votes were cast in favor of or withheld from each nominee; votes that were withheld were excluded entirely from the vote and had no effect. Abstentions on all proposals (except the election of directors) were counted as present for purposes of determining the existence of a quorum regarding the item on which the abstention was voted. Since the amendment of the Restated Articles of Incorporation required the approval of a majority of the outstanding shares, abstentions had the effect of a negative vote. Abstentions on the adoption of the Restricted Stock Plan had the same effect because it required the affirmative vote of a majority of shares present in person or by proxy and entitled to vote. Under the rules of the New York Stock Exchange, brokers who held shares in street name had the authority to vote on certain items when they did not receive instructions from beneficial owners. Brokers that did not receive instructions were entitled to vote on the election of directors and the amendment to the Restated Articles of Incorporation. With respect to the Restricted Stock Plan, brokers could not vote shares held for customers without specific instructions from such customers. Under applicable Indiana law, a broker non-vote had the same effect as a vote against the proposed amendment to the Restated Articles of Incorporation, and had no effect on the outcome of the election of directors or the approval of the Restricted Stock Plan.

Item 6. Exhibits and Reports on Form 8-K:

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- (a) See the Index to Exhibits on Page 14 for a list of exhibits filed herewith.
- (b) The Company was not required to file a Form 8-K during the first quarter of 1994.

SIGNATURES

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

CUMMINS ENGINE COMPANY, INC.

By: /s/John McLachlan

May 5, 1994

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John McLachlan  
Vice President - Corporate Controller  
(Chief Accounting Officer)

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CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES

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INDEX TO EXHIBITS

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3(a)	Restated Articles of Incorporation of Cummins Engine Company, Inc., as amended (filed herewith and incorporated 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).	15
10(s)	1992 Stock Incentive Plan (filed herewith).	16
10(t)	Restricted Stock Plan for Non-Employee Directors (filed herewith).	25
11	Schedule of Computation of Per Share Earnings for the First Quarter ended April 3, 1994 and April 4, 1993 (filed herewith).	27



CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 3(a)  
ARTICLES OF AMENDMENT OF THE ARTICLES OF INCORPORATION  
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The text of Article IV, Section 4.1 of the Restated Articles of Incorporation is amended to read as follows:

SECTION 4.1 AUTHORIZED CLASSES and NUMBER OF SHARES. The total number of shares which the Corporation has authority to issue shall be 152,000,000 shares, consisting of 150,000,000 shares of common stock ("Common Stock"), 1,000,000 shares of preference stock ("Preference Stock") and 1,000,000 shares of preferred stock ("Preferred Stock"). The shares of Common Stock have a par value of \$2.50 per share. The shares of Preference and Preferred Stock do not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any tax or fee based upon the capitalization of the Corporation, each of the Corporation's shares of Preference Stock and Preferred Stock shall be deemed to have a par value of \$1.00 per share.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 10(t)  
RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS  
~~~~~

1. PURPOSE. This Restricted Stock Plan for Non-Employee Directors ("the Plan") is intended to attract and retain the services of experienced and knowledgeable independent directors of Cummins Engine Company, Inc. ("the Company") for the benefit of the Company and its stockholders and to provide additional incentive for such directors to continue to work for the best interests of the Company and its stockholders.
2. STOCK AVAILABLE FOR AWARDS. No additional shares of the Company's common stock ("Common Stock") shall be reserved for issuance under the Plan. Instead, the number of shares available under the Plan shall be integrated with the number available for awards pursuant to the Company's 1992 Stock Incentive Plan ("the SIP"). Awards made under this plan shall reduce the number of shares of Common Stock available for awards under the SIP.
3. ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company ("the Board"). Subject to the express provisions of the Plan, the Board shall have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the restrictions on Common Stock awards (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan. The Board's determinations of the matters referred to in this Paragraph 3 shall be conclusive.
4. PARTICIPATION IN THE PLAN. Persons who are now or shall become incumbent directors of the Company who are not at the respective times employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan (an "Eligible Director"). A director of the Company shall not be deemed to be an employee of the Company solely by reason of the existence of a consulting contract or arrangement between such director and the Company or any subsidiary thereof pursuant to which the director agrees to provide consulting services as an independent consultant on a regular or occasional basis for a stated consideration.
5. AWARDS. Each Eligible Director shall automatically receive, in payment of a portion of his or her annual Board retainer fee, an annual award of Common Stock, restricted as to transfer for a period of six (6) months following the date of the award. In the case of an initial award, the restriction period shall end six (6) months following the date of stockholder approval of the Plan. The number of shares in each such annual award shall be equal to \$6,000 divided by the average of the closing prices of Common Stock as reported on the composite tape of the New York Stock Exchange for the twenty (20) consecutive trading days immediately preceding the date of the award. An initial automatic award to each Eligible Director shall be effective as of July 13, 1993, subject to stockholder approval of the Plan. Following the initial award, each Eligible Director shall automatically receive the award on the date of each Annual Meeting of Shareholders of the Company. The Company reserves the right to legend the share certificates for an appropriate period of time and to take other actions designed to assure compliance with applicable securities laws.
6. CHANGES IN PRESENT COMMON STOCK. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board in the number and kind of shares which are or may be awarded hereunder.
7. EFFECTIVE DATE AND DURATION OF THE PLAN. Awards shall be made under the Plan, subject to its authorization and adoption by the stockholders of the Company, upon its adoption by the Board of Directors, but no share certificates shall be issued under the Plan until the Plan shall have been adopted and approved at the Annual Meeting of shareholders of the Company next following adoption of the Plan by the Board. If so adopted by stockholders, this Plan shall become effective as of July 13, 1993. The Plan shall terminate on December 31, 2002 (unless earlier discontinued by the Board) but such termination shall not affect the rights of the holder of any Common Stock subject to restriction on such date of termination.
8. AMENDMENT OF PLAN. The Board may suspend or discontinue the Plan or revise or amend it in any respect whatsoever, provided, however, that without approval of the stockholders, no revision or amendment shall

change the number of shares subject to the Plan (except as provided in Section 6), change the definition of the class of directors eligible to receive awards, or materially increase the benefits accruing to participants under the Plan.

9. GOVERNING LAW. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by securities laws of the United States, shall be governed by the laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 10(t)  
RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS  
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1. PURPOSE. This Restricted Stock Plan for Non-Employee Directors ("the Plan") is intended to attract and retain the services of experienced and knowledgeable independent directors of Cummins Engine Company, Inc. ("the Company") for the benefit of the Company and its stockholders and to provide additional incentive for such directors to continue to work for the best interests of the Company and its stockholders.
2. STOCK AVAILABLE FOR AWARDS. No additional shares of the Company's common stock ("Common Stock") shall be reserved for issuance under the Plan. Instead, the number of shares available under the Plan shall be integrated with the number available for awards pursuant to the Company's 1992 Stock Incentive Plan ("the SIP"). Awards made under this plan shall reduce the number of shares of Common Stock available for awards under the SIP.
3. ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company ("the Board"). Subject to the express provisions of the Plan, the Board shall have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the restrictions on Common Stock awards (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan. The Board's determinations of the matters referred to in this Paragraph 3 shall be conclusive.
4. PARTICIPATION IN THE PLAN. Persons who are now or shall become incumbent directors of the Company who are not at the respective times employees of the Company or any subsidiary of the Company shall be eligible to participate in the Plan (an "Eligible Director"). A director of the Company shall not be deemed to be an employee of the Company solely by reason of the existence of a consulting contract or arrangement between such director and the Company or any subsidiary thereof pursuant to which the director agrees to provide consulting services as an independent consultant on a regular or occasional basis for a stated consideration.
5. AWARDS. Each Eligible Director shall automatically receive, in payment of a portion of his or her annual Board retainer fee, an annual award of Common Stock, restricted as to transfer for a period of six (6) months following the date of the award. In the case of an initial award, the restriction period shall end six (6) months following the date of stockholder approval of the Plan. The number of shares in each such annual award shall be equal to \$6,000 divided by the average of the closing prices of Common Stock as reported on the composite tape of the New York Stock Exchange for the twenty (20) consecutive trading days immediately preceding the date of the award. An initial automatic award to each Eligible Director shall be effective as of July 13, 1993, subject to stockholder approval of the Plan. Following the initial award, each Eligible Director shall automatically receive the award on the date of each Annual Meeting of Shareholders of the Company. The Company reserves the right to legend the share certificates for an appropriate period of time and to take other actions designed to assure compliance with applicable securities laws.
6. CHANGES IN PRESENT COMMON STOCK. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure or capitalization affecting the Company's present Common Stock, appropriate adjustment shall be made by the Board in the number and kind of shares which are or may be awarded hereunder.
7. EFFECTIVE DATE AND DURATION OF THE PLAN. Awards shall be made under the Plan, subject to its authorization and adoption by the stockholders of the Company, upon its adoption by the Board of Directors, but no share certificates shall be issued under the Plan until the Plan shall have been adopted and approved at the Annual Meeting of shareholders of the Company next following adoption of the Plan by the Board. If so adopted by stockholders, this Plan shall become effective as of July 13, 1993. The Plan shall terminate on December 31, 2002 (unless earlier discontinued by the Board) but such termination shall not affect the rights of the holder of any Common Stock subject to restriction on such date of termination.
8. AMENDMENT OF PLAN. The Board may suspend or discontinue the Plan or revise or amend it in any respect whatsoever, provided, however, that without approval of the stockholders, no revision or amendment shall

change the number of shares subject to the Plan (except as provided in Section 6), change the definition of the class of directors eligible to receive awards, or materially increase the benefits accruing to participants under the Plan.

9. GOVERNING LAW. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by securities laws of the United States, shall be governed by the laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES  
EXHIBIT 11  
SCHEDULE OF COMPUTATION OF PER SHARE EARNINGS  
FOR THE FIRST QUARTER ENDED APRIL 3, 1994 AND APRIL 4, 1993  
(Millions, except per share data)

|   | Weighted<br>Average<br>Shares<br>~~~~~ | Net<br>Earnings<br>~~~~~ | Calculated<br>Per<br>Share<br>~~~~~ |
|---|--|--------------------------|-------------------------------------|
| 1994<br>~~~~  |  |                          |                                     |
| Earnings available for common stock<br>shareholders | 40.1                                   | \$54.6                   | \$1.36                              |
| Options   | .2                                     | -                        |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |
| Primary earnings per common share                   | 40.3                                   | 54.6                     | 1.35                                |
| Convertible preference stock                        | -                                      | -                        |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |
| Fully diluted earnings per common<br>share          | 40.3                                   | \$54.6                   | 1.35                                |
|   | ~~~~                                   | ~~~~                     |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |
| 1993<br>~~~~  |  |                          |                                     |
| Earnings available for common stock<br>shareholders | 34.6                                   | \$39.1                   | \$1.13                              |
| Options   | .2                                     | -                        |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |
| Primary earnings per common share                   | 34.8                                   | 39.1                     | 1.12                                |
| Liquid Yield Option Notes                           | 1.1                                    | .9                       |                                     |
| Convertible preference stock                        | 3.0                                    | 2.0                      |                                     |
| Other   | -                                      | (.4)                     |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |
| Fully diluted earnings per common share             | 38.9                                   | \$41.6                   | 1.07                                |
|   | ~~~~                                   | ~~~~                     |                                     |
|   | ~~~~                                   | ~~~~                     |                                     |