UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

CUMMINS ENGINE COMPANY, INC.

For the Quarter Ended April 2, 1995   Commission File Number 1-4949

Indiana	35-0257090
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

500 Jackson Street, Box 3005

Columbus, Indiana	47202-3005
(Address of Principal Executive Offices)	(Zip Code)

812-377-5000

Registrant's Telephone Number

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 proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days:

Yes [x]
No [ ]

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

As of April 2, 1995, the number of shares outstanding of the registrant's only class of common stock was 40.8 million.

TABLE OF CONTENTS

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Statement of Earnings for the First Quarter Ended April 2, 1995 and April 3, 1994	3
Consolidated Statement of Financial Position at April 2, 1995 and December 31, 1994	4
Consolidated Statement of Cash Flows for the First Quarter Ended April 2, 1995 and April 3, 1994	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	7
PART II. OTHER INFORMATION	

Item 1.	Legal Proceedings	10
Item 4.	Submission of Matters to a Vote of Security Holders	10
Item 6.	Exhibits and Reports on Form 8-K	12
	Index to Exhibits	13

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
Unaudited
(Millions, Except per Share Amounts)

	First Quarter Ended 4/2/95	4/3/94
Net sales	$1,334	$1,099
Cost of goods sold	991	828
Gross profit	343	271
Selling & administrative expenses	183	149
Research & engineering expenses	66	54
Interest expense	4	4
Other expense	3	-
Earnings before income taxes	87	64
Provision for income taxes	20	9
Net earnings	$ 67	$ 55
Earnings per share	$ 1.63	$ 1.35
Cash dividends declared per share	.25	.125

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Unaudited
(Millions, Except per Share Amounts)

	4/2/95	12/31/94
Assets		
Current assets:		
Cash and cash equivalents	$ 95	$ 147
Receivables less allowances of $11 & $10	612	504
Inventories	555	515
Other current assets	133	132
	1,395	1,298
Investments and other assets	184	190
Property, plant & equipment less accumulated depreciation of $1,308 & $1,279	1,102	1,090
Intangibles, deferred taxes & deferred charges	128	128
Total assets	$2,809	$2,706
Liabilities and shareholders' investment		
Current liabilities:		
Loans payable	$ 40	$ 41
Current maturities of long-term debt	37	37
Accounts payable	351	322
Other current liabilities	477	440
	905	840
Long-term debt	153	155
Other liabilities	648	639
Shareholders' investment:		
Common stock, $2.50 par value, 43.8 shares issued	109	109
Additional contributed capital	924	927
Retained earnings	289	232
Common stock in treasury, at cost, 3.0 & 2.2 shares	(109)	(72)
Unearned ESOP compensation	(51)	(55)
Cumulative translation adjustments	(59)	(69)

	1,103	1,072
Total liabilities & shareholders' investment	$2,809	$2,706

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

	First Quarter Ended 4/2/95	4/3/94
Cash flows from operating activities:		
Net earnings	$ 67	$ 55
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	35	29
Accounts receivable	(105)	(45)
Inventories	(32)	(44)
Accounts payable and accrued expenses	64	51
Other	9	7
Total adjustments	(29)	(2)
Net cash provided by operating activities	38	53
Cash flows from investing activities:		
Property, plant and equipment:		
Additions	(32)	(34)
Disposals	1	3
Investments in and advances to affiliates and unconsolidated companies	(5)	(16)
Net cash used in investing activities	(36)	(47)
Net cash flows from operating & investing activities	2	6
Cash flows from financing activities:		
Payments on borrowings	(2)	(2)
Net borrowings under credit agreements	(2)	24
Payments of dividends	(10)	(5)
Repurchases of common stock	(37)	-
Other	(4)	(5)
Net cash (used for) provided by financing activities	(55)	12
Effect of exchange rate changes on cash	1	-
Net change in cash & cash equivalents	(52)	18
Cash & cash equivalents at beginning of year	147	77
Cash & cash equivalents at end of quarter	$ 95	$ 95

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
(Dollars in Millions, Unless Otherwise Stated)

NOTE 1. Accounting Policies: The Consolidated Financial Statements for the interim periods ended April 2, 1995 and April 3, 1994 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 both 1995 and 1994, the Company recognized approximately $11 related to a reduction in its valuation allowance for tax benefit carryforwards.

NOTE 3. Stock Repurchase Program: In October 1994, the Board of Directors authorized repurchase by the Company of up to 2.5 million shares of its common stock. During the first quarter of 1995, the Company repurchased on the open market 850,900 shares at an aggregate purchase price of $37, or average price of $44.36 per share. The Company repurchased 103,100 shares at an aggregate purchase price of $4, or average price of $42.47 per share, in 1994.

NOTE 4. Earnings per Share: Earnings per share of common stock are computed by dividing net earnings 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 41.3 million in the first quarter of 1995 and 40.3 million in the first quarter of 1994.

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

OVERVIEW

Cummins continued to benefit from strong demand in most markets in the first quarter of 1995. The Company's record sales of $1,334 in the first quarter of 1995 were 21 percent higher than the first quarter of 1994.

The Company shipped 88,900 engines in the first quarter of 1995, a 27-percent increase over first-quarter 1994:

	First Quarter 1995	First Quarter 1994
Midrange engines	58,100	45,000
Heavy-duty engines	28,500	23,000
High-horsepower engines	2,300	1,900
Total engine shipments	88,900	69,900

The Company also had record earnings before income taxes of $87 in the first quarter of 1995. Net earnings were $67, or $1.63 per share, in the first quarter of 1995, compared to $55, or $1.35 per share, in the first quarter of 1994. The Company's effective tax rate increased to 23 percent in 1995 from 14 percent in 1994.

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 1995	First Quarter 1994
Net sales	100.0	100.0
Cost of goods sold	74.3	75.4
Gross profit	25.7	24.6
Selling and administrative expenses	13.7	13.5
Research and engineering expenses	4.9	4.9
Interest expense	.3	.4
Other expense	.3	-
Earnings before income taxes	6.5	5.8
Provision for income taxes	1.5	.8
Net earnings	5.0	5.0

Net Sales

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

	First Quarter 1995		First Quarter 1994	
	Dollars	Percent	Dollars	Percent
Heavy-duty truck	396	30	335	30
Midrange truck	144	11	98	9
Power generation	277	21	230	21
Bus & light commercial vehicles	183	13	156	14
Industrial products	158	12	124	11
Government	21	1	17	2
Marine	11	1	17	2
Fleetguard, Holset and Cummins Electronics	144	11	122	11
Net sales	1,334	100	1,099	100

Sales of $396 to the heavy-duty truck market in the first quarter of 1995 were 18 percent higher than in the first quarter of 1994. This increase in sales was primarily attributable to demand for engines for the North American heavy-duty truck market. Cummins increased its share of this market to nearly 36 percent in the first quarter of 1995. Shipments of the Company's heavy-duty truck engines for international markets in the first quarter of 1995 were essentially level with the first quarter of 1994. While the truck market in the United Kingdom continued to improve in the first quarter of 1995, demand for heavy-duty engines in Mexico was reduced significantly due to economic conditions in that country.

Midrange truck engine sales in the first quarter of 1995 were $46 higher than in the first quarter of 1994. Engine shipments for the North American market increased significantly, with shipments to Ford 42 percent higher than the first-quarter 1994. Shipments for international markets, which represented approximately 30 percent of the Company's midrange truck engine sales, also were higher due to increased demand in the United Kingdom and in Brazil.

Power generation sales of $277 were $47 higher in the first quarter of 1995, up 20 percent over first-quarter 1994. Sales to this market represented 21 percent of the Company's net sales. The increase in the first quarter of 1995 was due to sales of Power Group International, which was acquired at the beginning of the fourth quarter of 1994, and as a result of increased sales of industrial gensets.

In the bus and light commercial vehicles market, the Company's sales of $183 were 17 percent higher than first-quarter 1994. Engines for the Chrysler Dodge Ram pickup were at record levels in the first quarter of 1995, 17 percent higher than in the first quarter of 1994. Engine shipments for bus markets were 35 percent higher than year-ago levels, primarily for transit buses in the United States.

Sales of $158 for industrial products were $34 higher, with engine shipments up 27 percent. Industrial product sales continue to be strong worldwide, particularly for construction applications.

Fleetguard, Holset and Cummins Electronics represented 11 percent of the Company's net sales. In the first quarter of 1995, sales of filters, turbochargers and electronic controls were 18 percent higher than in the first quarter of 1994.

Gross Profit

The Company's gross profit percentage was 25.7 percent in the first quarter of 1995, compared to 24.6 percent in the first quarter of 1994. The key factor contributing to the improved margin was the increase in demand for the Company's products, which represented over 70 percent of the increase in gross profit. Other factors included the effects of cost-improvement measures to improve production systems and throughput and the full-year effect of price increases subsequent to the first quarter of 1994. Product coverage was 2.5 percent of sales, compared to 2.7 percent of sales in the first quarter of 1994.

Operating Expenses

Selling and administrative expenses were $183, or 13.7 percent of net sales, in the first quarter of 1995, compared to $149, or 13.5 percent of net sales, in the first quarter of 1994. Research and engineering expenses were 4.9 percent of net sales in both first-quarter periods.

Interest and Other Expenses

Interest expense of $4 in the first quarter of 1995 was level with the first quarter of 1994. Other expense includes a variety of items, such as foreign exchange gains and losses, interest income, earnings and losses of unconsolidated companies and royalty income. In the first quarter of 1995, expense of $3 was due to foreign exchange translation and unconsolidated companies.

Provision For Income Taxes

As disclosed in Note 2 to the Consolidated Financial Statements, the Company reduced its valuation allowance for tax benefit carryforwards approximately $11 in both first-quarter reporting periods.

CASH FLOW AND FINANCIAL CONDITION

Key elements of the Consolidated Statement of Cash Flows were:

	1995	1994
Net cash provided by operating activities	$ 38	$ 53
Net cash used in investing activities	(36)	(47)
Net cash flows from operating and investing activities	2	6
Net cash (used for) provided by financing activities	(55)	12
Effect of exchange rate changes on cash	1	-
Net change in cash and cash equivalents	$(52)	$ 18

During the first quarter of 1995, the Company generated cash flows from operating activities of $38, compared to $53 in the first quarter of 1994. A higher level of working capital in the first quarter of 1995 was required due to the increase in demand for the Company's products. Investing activities required net cash resources of $36, primarily for capital expenditures. Cash and cash equivalents totaled $95 at the end of the first quarter of 1995.

Total indebtedness (including the guaranteed notes of the ESOP Trust) was $230 at the end of the first quarter of 1995. The Company's debt-to-capital ratio was 17 percent at the end of the first quarter and 18 percent at December 31, 1994. In March 1995, Standard & Poor upgraded the ratings of the Company's senior debt to BBB+ from BBB.

As disclosed more fully in Note 3 to the Consolidated Financial Statements, the Company repurchased on the open market 850,900 shares of its common stock at an average price of $44.36 per share in the first quarter of 1995.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 4, 1995, the U.S. Court of Appeals for the Seventh Circuit affirmed in part, reversed in part, and remanded in part the decision of the U.S. District Court for the Southern District of Indiana to dismiss all the claims of the Plaintiff Stransky with prejudice. The Company believes the allegations are without merit and intends to defend the action vigorously.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of security holders on April 4, 1995 at which security holders: (a) elected 15 directors of the Company for the ensuing year, (b) ratified the appointment of Arthur Andersen LLP as auditors for the year 1995, (c) approved the Cummins Engine Company, Inc. Senior Executive Bonus Plan and (d) approved the Cummins Engine Company, Inc. Senior Executive Three Year Performance Plan.

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

Voting on Directors:

	For	Withheld
H. Brown	35,444,276	527,747
K. R. Dabrowski	35,637,811	334,212
R. Darnall	35,645,302	326,721
W. Y. Elisha	35,641,166	330,857
H. H. Gray	35,638,040	333,983
J. A. Henderson	35,644,768	327,255
D. G. Mead	34,981,818	990,205
J. I. Miller	35,641,643	330,380
W. I. Miller	35,645,026	326,997
D. S. Perkins	35,644,857	327,166
W. D. Ruckelshaus	35,639,254	332,769
H. B. Schacht	35,640,874	331,149
T. M. Solso	35,649,097	322,926
F. A. Thomas	35,638,367	333,656
J. L. Wilson	35,641,173	330,850

Ratify Appointment of Auditors:

For	Against	Abstain
35,699,840	125,209	146,974

Senior Executive Bonus Plan:

For	Against	Abstain
32,361,993	3,254,682	355,348

Senior Executive Three Year Performance Plan:

For	Against	Abstain
33,621,459	1,991,569	358,995

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. Abstentions on the adoption of the Senior Executive Bonus Plan and the Senior Executive Three Year Performance Plan (the "Plans") were treated as negative votes. 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 adoption of the Plans. Under applicable Indiana law, a broker non-vote had no effect on the outcome of the election of directors or the approval of the Plans.

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

(a) See the Index to Exhibits on Page 13 for a list of exhibits filed herewith.

(b) The Company was not required to file a Form 8-K during the first quarter of 1995.

SIGNATURES

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

CUMMINS ENGINE COMPANY, INC.

By: /s/John McLachlan May 9, 1995

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

CUMMINS ENGINE COMPANY, INC., AND SUBSIDIARIES

INDEX TO EXHIBITS

		Page No.
10(j)	Performance Share Plan, as amended January 1989 (filed herewith)	14
10(l)	Retirement Plan for Non-employee Directors, effective September 1989 (filed herewith)	22
10(m)	Stock Unit Appreciation Plan, effective October 1990 (filed herewith)	26
10(q)	Three Year Performance Plan, effective December 1992 (filed herewith)	30
10(u)	Senior Executive Bonus Plan (filed herewith)	35
10(v)	Senior Executive Three Year Performance Plan (filed herewith)	40
11	Schedule of Computation of Per Share Earnings for the First Quarter ended April 2, 1995 and April 3, 1994 (filed herewith)	45
27	Financial Data Schedule	46

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the Laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the Laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the Laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the Laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the Laws of the State of Indiana and construed accordingly.

CUMMINS ENGINE COMPANY, INC.

EXHIBIT 10(v)

SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

1. Objectives.

The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interest, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

(a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

(b) "Change of Control" means the occurrence of any of the following: (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have substantially the same proportionate ownership on common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Company or subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute a least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

(c) "Committee" means the Compensation Committee of the Board of

Directors of the Company.

(d) "Company" means Cummins Engine Company, Inc.

(e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

(f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

(g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company's. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

(h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

(i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

(j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award.

The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to effect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award cycle shall be expressed in terms of a threshold, target, and maximum dollar amount.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of the Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's reevaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule.

On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount ("Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount will be earned if performance is fifty percent (50%) and the maximum dollar amount will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount that may be paid by the Plan to a Participant with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards.

For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments.

Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration.

The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment.

If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control.

Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount times a fraction, the numerator of which is the number of days in the Award Cycle preceding the Change of Control and the denominator of which is 1095.

10. Effective Date.

The Plan shall be effective for the Award Cycle beginning January 1, 1995, subject to its approval by the Company's shareholders.

11. Amendment and Termination.

The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law.

This Plan and all determinations made and actions taken pursuant hereto, 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 2, 1995 and APRIL 3, 1994
(Millions, Except per Share Amounts)

	Weighted Average Shares	Net Earnings	Calculated Per Share
1995			
Net earnings	41.2	$67	$1.63
Options	.1	-	
Primary and fully diluted earnings per common share	41.3	$67	$1.63
1994			
Net earnings	40.1	$55	$1.36
Options	.2	-	
Primary and fully diluted earnings per common share	40.3	$55	$1.35

```
<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000,000

<S>                              <C>
<PERIOD-TYPE>                    3-MOS
<FISCAL-YEAR-END>                          DEC-31-1995
<PERIOD-END>                               APR-02-1995
<CASH>                                              95
<SECURITIES>                                         0
<RECEIVABLES>                                      612
<ALLOWANCES>                                        11
<INVENTORY>                                        555
<CURRENT-ASSETS>                                 1,395
<PP&E>                                           2,410
<DEPRECIATION>                                   1,308
<TOTAL-ASSETS>                                   2,809
<CURRENT-LIABILITIES>                              905
<BONDS>                                            153
<COMMON>                                           109
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<OTHER-SE>                                         994
<TOTAL-LIABILITY-AND-EQUITY>                     2,809
<SALES>                                          1,334
<TOTAL-REVENUES>                                 1,334
<CGS>                                              991
<TOTAL-COSTS>                                      249
<OTHER-EXPENSES>                                     0
<LOSS-PROVISION>                                     1
<INTEREST-EXPENSE>                                   4
<INCOME-PRETAX>                                     87
<INCOME-TAX>                                        20
<INCOME-CONTINUING>                                 67
<DISCONTINUED>                                       0
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                        67
<EPS-PRIMARY>                                     1.63
<EPS-DILUTED>                                     1.63


</TABLE>
```