

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1996

CUMMINS ENGINE COMPANY, INC.

(Name of issuer of the securities held pursuant to the plan)

Commission File Number 1-4949.

Incorporated in the State of Indiana I.R.S. Employer Identification  
No. 35-0257090

500 Jackson Street, Box 3005, Columbus, Indiana 47202-3005  
(Address of Principal Executive Office)

Telephone Number: (812) 377-5000

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1996 AND 1995  
TOGETHER WITH AUDITORS' REPORT  
(Full title of the plan)

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
INDEX TO FINANCIAL STATEMENTS

	Page
Report of Independent Public Accountants	3
Combining Statements of Net Assets by Plan	4-5
Combining Statements of Changes in Net Assets by Plan	6-7
Combining Statements of Net Assets by Fund	8-9
Combining Statements of Changes in Net Assets by Fund	10-11
Notes to Financial Statements	12-17
	Schedule
Assets Held for Investment Purposes	I
Reportable Transactions	II
Matching Contribution Formulas	III
Employing Locations by Plan	IV
Loans or Fixed Income Obligations	V
	Exhibit
Consent of Independent Public Accountants	23

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Pension Policy Committee  
of Cummins Engine Company, Inc.:

We have audited the accompanying combining statements of net assets by plan and by fund, of the CUMMINS ENGINE COMPANY, INC. AND AFFILIATES RETIREMENT AND SAVINGS PLANS (the Plans) as of December 31, 1996 and 1995, and the related statements of changes in net assets by plan and by fund, for the years ended December 31, 1996 and 1995. These financial statements and the schedules referred to below are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plans as of December 31, 1996 and 1995, and the changes in the net assets for the years ended December 31, 1996 and 1995, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes, reportable transactions, matching contribution formulas, employee locations by plan, and loans or fixed income obligations are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The Fund Information in the statement of net assets and the statement of changes in net assets is presented for purposes of additional analysis rather than to present the net assets and changes in net assets available for plan benefits of each fund. The supplemental schedules and Fund Information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
June 20, 1997.

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF NET ASSETS BY PLAN  
DECEMBER 31, 1996  
(stated in 000's)

<TABLE>  
<CAPTION>

CDC	TOTAL	Salaried	Bargaining	Onan	Lubricon
<S>		<C>	<C>	<C>	<C>
<C>	<C>				
Assets					

Cash and investments:

The Northern Trust Company					
Short-Term Investment Fund	\$ 1,134	\$ -	\$ -	\$ -	
- \$ 1,134					
Cummins Engine Company, Inc.					
Fixed Income Fund	89,808	111,753	19,473	68	
5,920 227,022					
Vanguard Wellington Fund	77,360	49,591	24,290	74	

4,352	155,667				
	Vanguard U.S. Growth Fund	45,475	17,367	13,167	91
3,182	79,282				
	Vanguard Index Trust Fund	53,581	23,567	15,973	105
3,323	96,549				
	Vanguard Explorer Fund	9,192	2,262	2,179	43
411	14,087				
	Vanguard International Fund	6,971	1,335	1,292	33
312	9,943				
	Cummins Engine Company, Inc. Common Stock	111,725	5,847	2,383	18
858	120,831				
	Participant Loans	5,919	4,084	1,734	21
954	12,712				
<hr/>					
Total cash and investments		401,165	215,806	80,491	453
19,312	717,227				
<hr/>					
Receivables:					
	Employer contributions	3,555	1,332	262	21
562	5,732				
	Employee contributions	1,411	1,384	436	3
239	3,473				
	Employee loan repayments	274	208	85	1
65	633				
	Accrued interest	4	-	-	-
- -	4				
<hr/>					
Total receivables		5,244	2,924	783	25
866	9,842				
<hr/>					
Total assets		406,409	218,730	81,274	478
20,178	727,069				
<hr/>					
Liabilities					
	Interest payable	2,888	-	-	-
- -	2,888				
	Note payable - ESOP	66,550	-	-	-
- -	66,550				
<hr/>					
Total liabilities		69,438	-	-	-
- -	69,438				
<hr/>					
Net Assets		\$336,971	\$218,730	\$81,274	\$478
\$20,178	\$657,631				
<hr/>					
<hr/>					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF NET ASSETS BY PLAN  
DECEMBER 31, 1995  
(stated in 000's)

<TABLE>  
<CAPTION>

CDC	TOTAL	Salaried	Bargaining	Onan	Lubricon
<S>		<C>	<C>	<C>	<C>
<C>	<C>				
Assets					
<hr/>					

Cash and investments:

The Northern Trust Company

Short-Term Investment Fund	\$ 1,156	\$ -	\$ -	\$ -
\$ - \$ 1,156				
Cummins Engine Company, Inc.				
Fixed Income Fund	89,546	110,828	19,251	82
5,104 224,811				
Vanguard Wellington Fund	67,646	40,998	21,159	103
3,716 133,622				
Vanguard U.S. Growth Fund	31,366	10,322	9,393	74
2,218 53,373				
Vanguard Index Trust Fund	39,208	16,324	11,728	82
2,593 69,935				
Vanguard Explorer Fund	5,911	1,727	1,238	19
271 9,166				
Vanguard International Fund	5,396	1,221	1,098	46
178 7,939				
Cummins Engine Company, Inc.				
Common Stock	94,522	7,356	2,480	14
1,193 105,565				
Participant Loans	5,439	3,587	1,632	23
897 11,578				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments	340,190	192,363	67,979	443
16,170 617,145				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Receivables:				
Employer contributions	3,528	1,454	280	20
575 5,857				
Employee contributions	1,758	1,485	631	4
248 4,126				
Employee loan repayments	319	216	136	2
70 743				
Accrued interest	4	-	-	-
- - 4				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receivables	5,609	3,155	1,047	26
893 10,730				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	345,799	195,518	69,026	469
17,063 627,875				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Interest payable	2,953	-	-	-
- - 2,953				
Note payable - ESOP	68,050	-	-	-
- - 68,050				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	71,003	-	-	-
- - 71,003				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets	\$274,796	\$195,518	\$69,026	\$469
\$17,063 \$556,872				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN  
DECEMBER 31, 1996  
(stated in 000's)

<TABLE>

<CAPTION>

Lubricon	CDC	TOTAL	Salaried	Bargaining	Onan	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<S>			<C>	<C>	<C>	<C>
<C>	<C>					

Net Assets - beginning of year			\$274,796	\$195,518	\$69,026
\$469	\$17,063	\$556,872			
<hr/>					
Investment income:					
Fund investment income			39,001	23,366	11,144
68	2,551	76,130			
Interest income			26	-	-
- -	-	26			
Dividend income			2,252	-	-
- -	-	2,252			
Net realized & unrealized depreciation in the value of investments			20,256	-	-
- -	-	20,256			
<hr/>					
Total investment income			61,535	23,366	11,144
68	2,551	98,664			
Less: investment advisory expense			44	-	-
- -	-	44			
interest expense			5,777	-	-
- -	-	5,777			
<hr/>					
Net investment income			55,714	23,366	11,144
68	2,551	92,843			
<hr/>					
Contributions:					
Employer			5,342	1,346	266
21	564	7,539			
Employee			19,798	13,885	5,768
46	2,161	41,658			
Rollover			779	34	193
- -	44	1,050			
<hr/>					
Total contributions			25,919	15,265	6,227
67	2,769	50,247			
<hr/>					
Participant withdrawals			(19,649)	(15,218)	(5,191)
(126)	(2,147)	(42,331)			
Inter-plan transfers			191	(201)	68
- -	(58)	-			
<hr/>					
Net assets - end of year			\$336,971	\$218,730	\$81,274
\$478	\$20,178	\$657,631			
<hr/>					
<hr/>					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN  
DECEMBER 31, 1995  
(stated in 000's)

			Salaried	Bargaining	Onan	
<TABLE>						
<CAPTION>						
Lubricon	CDC	TOTAL				
<hr/>						
<S>			<C>	<C>	<C>	<C>
<C>	<C>					
<hr/>						
Net Assets - beginning of year			\$238,898	\$167,221	\$54,262	
\$369	\$13,892	\$474,642				
<hr/>						
<hr/>						



<C> <C> <C> <C> <C>  
Assets

Cash and investments:

The Northern Trust Company										
Short-Term Investment Fund					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	\$ 1,134	\$ 1,134				
Cummins Engine Company, Inc.										
Fixed Income Fund					227,022	-	-	-	-	-
-	-	-	-	-	227,022					
Vanguard Wellington Fund					-	155,667	-	-	-	-
-	-	-	-	-	155,667					
Vanguard U.S. Growth Fund					-	-	79,282	-	-	-
-	-	-	-	-	79,282					
Vanguard Index Trust Fund					-	-	-	96,549	-	-
-	-	-	-	-	96,549					
Vanguard Explorer Fund					-	-	-	-	-	14,087
-	-	-	-	-	14,087					
Vanguard International Fund					-	-	-	-	-	-
9,943	-	-	-	-	9,943					
Cummins Engine Company, Inc.										
Common Stock					-	-	-	-	-	-
-	-	18,136	102,695	-	120,831					
Participant Loans					-	-	-	-	-	-
-	-	-	12,712	-	12,712					
<hr/>										
Total cash and investments					227,022	155,667	79,282	96,549	14,087	
9,943	18,136	103,829	12,712	717,227						

Receivables:

Employer contributions					1,037	500	303	350	58	
41	78	3,365	-	-	5,732					
Employee contributions					1,126	838	555	646	129	
79	100	-	-	-	3,473					
Employee loan repayments					209	155	102	112	18	
11	26	-	-	-	633					
Accrued interest					-	-	-	-	-	
-	-	-	4	-	4					
<hr/>										
Total receivables					2,372	1,493	960	1,108	205	
131	204	3,369	-	-	9,842					

<hr/>										
Total assets					229,394	157,160	80,242	97,657	14,292	
10,074	18,340	107,198	12,712	727,069						

Liabilities

Interest payable					-	-	-	-	-	
-	-	-	2,888	-	2,888					
Note payable - ESOP					-	-	-	-	-	
-	-	-	66,550	-	66,550					
<hr/>										
Total liabilities					-	-	-	-	-	
-	-	-	69,438	-	69,438					

<hr/>										
Net Assets					\$229,394	\$157,160	\$80,242	\$97,657	\$14,292	
\$10,074	\$18,340	\$37,760	\$12,712	\$657,631						

The accompanying notes and schedules are an integral part of these statements.

</TABLE>  
<TABLE>

DECEMBER 31, 1995  
(stated in 000's)

<CAPTION>

Non-

Participant

Participant Directed

Directed

Cummins		Loan		Fixed		U.S.	Index	Explorer
Intl.	Stock	ESOP	Fund	Income Total	Wellington	Growth	Fund	Fund
<S>				<C>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>	<C>				
Assets								
Cash and investments:								
The Northern Trust Company								
Short-Term Investment Fund								
-	-	\$ 1,156	\$ -	\$ 1,156	\$ -	\$ -	\$ -	\$ -
Cummins Engine Company, Inc.								
Fixed Income Fund								
-	-	-	-	224,811	-	-	-	-
Vanguard Wellington Fund								
-	-	-	-	224,811	133,622	-	-	-
Vanguard U.S. Growth Fund								
-	-	-	-	133,622	-	53,373	-	-
Vanguard Index Trust Fund								
-	-	-	-	53,373	-	-	69,935	-
Vanguard Explorer Fund								
-	-	-	-	69,935	-	-	-	9,166
Vanguard International Fund								
-	-	-	-	9,166	-	-	-	-
7,939	-	-	-	7,939	-	-	-	-
Cummins Engine Company, Inc.								
Common Stock								
-	21,368	84,197	-	105,565	-	-	-	-
Participant Loans								
-	-	-	11,578	11,578	-	-	-	-
Total cash and investments								
7,939	21,368	85,353	11,578	224,811	133,622	53,373	69,935	9,166
Receivables:								
Employer contributions								
40	93	3,313	-	1,269	524	266	307	45
Employee contributions								
109	154	-	-	5,857	1,033	554	677	126
Employee loan repayments								
14	36	-	-	1,473	182	100	127	15
Accrued interest								
-	-	4	-	269	-	-	-	-
-	-	-	-	743	-	-	-	-
-	-	-	-	4	-	-	-	-
Total receivables								
163	283	3,317	-	3,011	1,739	920	1,111	186
Total assets								
8,102	21,651	88,670	11,578	227,822	135,361	54,293	71,046	9,352
Liabilities								
Interest payable								
-	-	2,953	-	-	-	-	-	-
Note payable - ESOP								
-	-	68,050	-	2,953	-	-	-	-
-	-	-	-	68,050	-	-	-	-
Total liabilities								
-	-	71,003	-	-	-	-	-	-
-	-	-	-	71,003	-	-	-	-



Net Assets				\$227,822	\$135,361	\$54,293	\$71,046	\$9,352	\$
8,102	\$21,651	\$17,667	\$11,578	\$556,872					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>  
<TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY FUND  
DECEMBER 31, 1996  
(stated in 000's)

<CAPTION>

Non-

Participant

Participant Directed

Directed

Cummins		Loan		Fixed	U.S.				
Intl.	Stock	ESOP	Fund	Income Total	Wellington	Growth	Index	Explorer	
<S>				<C>	<C>	<C>	<C>	<C>	
<C>	<C>	<C>	<C>	<C>					
Net Assets - beginning of year				\$227,822	\$135,361	\$54,293	\$71,046	\$9,352	\$
8,102	\$21,651	\$17,667	\$11,578	\$556,872					
Investment income:									
Fund investment income				14,358	21,729	15,259	17,404	1,357	
904	5,119	-	-	76,130					
Interest income				-	-	-	-	-	
-	-	26	-	26					
Dividend income				-	-	-	-	-	
-	-	2,252	-	2,252					
Net realized and unrealized depreciation in the value of investments				-	-	-	-	-	
-	-	20,256	-	20,256					
Total investment income				14,358	21,729	15,259	17,404	1,357	
904	5,119	22,534	-	98,664					
Less: investment advisory expense				-	-	-	-	-	
-	-	44	-	44					
interest expense				-	-	-	-	-	
-	-	5,777	-	5,777					
Net investment income				14,358	21,729	15,259	17,404	1,357	
904	5,119	16,713	-	92,843					
Contributions:									
Employer				1,080	501	303	350	58	
41	80	5,126	-	7,539					
Employee				13,169	10,273	6,426	7,533	1,657	
1,194	1,406	-	-	41,658					
Rollover				207	182	192	265	91	
53	60	-	-	1,050					
Total contributions				14,456	10,956	6,921	8,148	1,806	
1,288	1,546	5,126	-	50,247					

Participant loan repayments	2,751	1,971	1,229	1,405	244
180 364 - (8,144)	-	-	-	-	-
Inter-fund transfers	(7,367)	( 470)	8,234	5,399	2,371
389 (8,556) - -	-	-	-	-	-
Payments:					
Participant withdrawals	(19,211)	(10,208)	(4,406)	(4,179)	(673)
(644) (1,264) (1,746) -	(42,331)				
Participant loan withdrawals	( 3,415)	( 2,179)	(1,288)	(1,566)	(165)
(145) ( 520) - 9,278	-	-	-	-	-
Total payments	(22,626)	(12,387)	(5,694)	(5,745)	(838)
(789) (1,784) (1,746) 9,278	(42,331)				
Net assets - end of year	\$229,394	\$157,160	\$80,242	\$97,657	\$14,292
\$10,074 \$18,340 \$37,760 \$12,712	\$657,631				

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

<TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY FUND  
DECEMBER 31, 1995  
(stated in 000's)

<CAPTION>

Non-

Participant

Participant Directed

Directed

Cummins	Loan	Fixed	U.S.			
Intl.	Stock	Income	Wellington	Growth	Index	Explorer
	ESOP	Total				
	Fund					
<S>		<C>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Assets - beginning of year	\$214,951	\$ 99,306	\$31,985	\$44,135	\$4,134	
\$10,511 \$22,298 \$35,953 \$11,369	\$474,642					
Investment income:						
Fund investment income (loss)	15,416	31,854	13,383	17,250	1,429	
770 (3,255) - -	76,847					
Interest income	-	-	-	-	-	-
- - - 28 -	28					
Dividend income	-	-	-	-	-	-
- - - 2,287 -	2,287					
Net realized and unrealized depreciation in the value of investments	-	-	-	-	-	-
- - - (18,865) -	(18,865)					
Total investment income (loss)	15,416	31,854	13,383	17,250	1,429	
770 (3,255) (16,550) -	60,297					
Less: investment advisory expense	51	-	-	-	-	-
- - - 50 -	101					
interest expense	-	-	-	-	-	-
- - - 5,907 -	5,907					

Net investment income (loss)	15,365	31,854	13,383	17,250	1,429
770 (3,255) (22,507) -	54,289				
<hr/>					
Contributions:					
Employer	1,309	526	268	309	45
40 96 5,157 -	7,750				
Employee	16,125	10,654	5,579	6,694	1,175
1,489 2,007 - -	43,723				
Rollover	254	262	235	291	68
62 74 - -	1,246				
<hr/>					
Total contributions	17,688	11,442	6,082	7,294	1,288
1,591 2,177 5,157 -	52,719				
<hr/>					
Participant loan repayments	2,994	1,835	945	1,137	151
204 461 - (7,727)	-				
<hr/>					
Inter-fund transfers	(6,077)	(2,427)	4,462	4,288	2,792
(4,420) 1,382 - -	-				
<hr/>					
Payments:					
Participant withdrawals	(13,912)	(4,811)	(1,651)	(1,922)	(298)
(361) (887) (936) -	(24,778)				
Participant loan withdrawals	(3,187)	(1,838)	(913)	(1,136)	(144)
(193) (525) - 7,936	-				
<hr/>					
Total payments (loss)	(17,099)	(6,649)	(2,564)	(3,058)	(442)
(554) (1,412) (936) 7,936	(24,778)				
<hr/>					
Net assets - end of year	\$227,822	\$135,361	\$54,293	\$71,046	\$9,352
8,102 \$21,651 \$17,667 \$11,578	\$556,872				\$
<hr/>					
<hr/>					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1996 AND 1995

1. SUMMARY OF THE PLAN

The Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plans (the Plan or the Plans) are defined contribution plans that cover five employee groups, as described in Note 2. Participants have the opportunity to make pre-tax and after-tax contributions to the plan and can choose from seven different investment options. Investment options and details of the plans are described in Note 2 and Note 3.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Combination

The Combining Statements of Net Assets and Changes in Net Assets reflect the financial activity of the Retirement and Savings Plans of Cummins Engine Company, Inc. (the Company) and certain subsidiary companies (the Companies). These Plans include:

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Salaried and Non-Bargaining Hourly Employees (Salaried Plan)

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees (Bargaining Plan)

Cummins Engine Company, Inc. Retirement and Savings Plan for Onan Corporation Employees (Onan Plan)

Cummins Engine Company, Inc. Retirement and Savings Plan for Lubricant Consultants, Inc. Employees (Lubricon Plan)

Cummins Engine Company, Inc. Retirement and Savings Plan for Consolidated Diesel Company Employees (CDC Plan)

#### Trust Arrangements

---

A single trust arrangement is maintained with the Trustee for the administration of the primary investments in the Plans; however, a separate trust arrangement was maintained with The Northern Trust Company for the Employee Stock Ownership (ESOP) portion of the Plans (as described in Note 3). Effective February 1997, Vanguard Fiduciary Trust Company assumed responsibility for the ESOP trust.

#### Accounting Method

---

Accounting records are maintained by the Trustee on a modified cash basis. All material adjustments have been made to present the financial statements under the accrual basis of accounting as required by generally accepted accounting principles.

All investments included in the Combining Statements of Net Assets and Schedule I and the investment related income included in the Combining Statements of Changes in Net Assets reflect amounts obtained from and certified by the respective trustees as being complete and accurate.

#### Investments

---

Investments held by the Trust are stated at market value except for its investment contracts which are stated at contract value and changes in market value are reflected in Fund investment income (loss). Quoted market prices are used to value investments.

The Fixed Income Fund consists primarily of insurance contracts and bank investment contracts with various insurance companies. The insurance companies maintain investment accounts for each contract. The accounts are credited with earnings on the underlying investments at interest rates ranging from 4.95% to 9.27% for both 1995 and 1996 and charged for withdrawals and administrative expenses by the insurance companies. The contracts are included in the financial statements at contract value, which approximates fair value as reported to the Plan by the investment administrator. Contract values represent contributions made under the contracts, plus earnings, less Plan withdrawals and administrative expenses. The crediting interest rate is based on an agreed upon formula with the issuer.

Assets of the Trust are segregated into seven investment funds: the Cummins Engine Company, Inc. Fixed Income Fund, the Wellington Fund, the Vanguard U.S. Growth Fund, the Vanguard Institutional Index Fund, the Vanguard Explorer Fund, the Vanguard International Fund, and the Cummins Common Stock Fund. Maintenance of separate funds provides investment alternatives to participants in the Plans; the allocation of investments between the funds is at the direction of participants.

Like all the other investment alternatives, the Cummins Common Stock Fund is valued in units. The net asset value per unit fluctuates on a daily basis with the change in the price of Cummins Stock. At December 31, 1996 there were a total of 2,056,000 units and a net asset value of \$18,340,000.

The assets of the Fixed Income Fund consist primarily of insurance and bank investment contracts. The Wellington Fund consists primarily of equity, fixed income, and cash equivalent marketable securities. The Vanguard U.S. Growth Fund consists primarily of long-term domestic and foreign capital growth stock. The Vanguard Institutional Index Fund consists primarily of equity and cash equivalent marketable securities whose investment results should correspond to the performance of the Standard & Poor's 500 Composite Stock Price (S & P 500) Index. The Explorer Fund consists of common stocks of small companies with favorable prospects for above-average growth in market value. The International Fund consists of a broadly diversified portfolio of non-U.S. equity securities selected on the basis of relative value. The Cummins Common Stock Fund consists of investments in Company common stock. The ESOP Fund consists of matching contributions in the form of common stock for certain plans.

Effective January 1996, the Vanguard Institutional Index Fund replaced Vanguard Index Trust-500 Fund.

Net investment income (loss) of each fund is allocated to each Plan based on the relationship of each Plan's investment in the fund to the total investment in the fund. Net investment income (loss) is likewise allocated to participants based on the relationship of participant account balances in each fund to the total balance in each fund.

#### Participant Loans

---

The Plans permit participants to borrow portions of their accounts subject to Department of Labor regulations. Participants may take out loans limited to the lesser of \$50,000 or 50 percent of the present value of their accounts (excluding ESOP accounts) over a period not to exceed 54 months. The annual interest rate is the Prime Rate, as quoted in the Wall Street Journal, plus 1 percent. The amount used to secure a loan is 50 percent of the participant's account balance.

Participant loan activity is reported in the Combining Statements of Net Assets and Changes in Net Assets by Fund in the Loan Fund.

#### Administrative Expenses and Investment Advisory Fees

---

Administrative expenses such as record keeping fees are paid by the Companies. Investment advisory fees for portfolio management of Vanguard Funds are paid directly from fund earnings. Investment advisory fees for the Fixed Income Fund are paid directly from the fund. The trust agreement entitles the Trustee to receive reasonable compensation for services rendered and expenses incurred in the administration and execution of the Plans.

### 3. DESCRIPTION OF THE PLANS

---

#### Participation

---

Substantially all full-time, domestic employees of the Company and designated subsidiaries are eligible to participate in one of the Plans no later than the first day of the month following the 60th day after date of employment. Nonresident aliens employed by the Company or a foreign subsidiary are eligible to participate if the Company owns at least 80 percent of the foreign subsidiary's common stock.

The Plans encourage voluntary savings through regular payroll deductions. Subject to limitations contained in the Internal Revenue Code and Regulations, participants may contribute up to 15 percent of gross pay (10 percent with respect to certain highly compensated participants) as pre-tax contributions, and 10 percent of gross pay as after-tax contributions (not to exceed 20% in total). In addition, participants are permitted to make voluntary additional after-tax contributions once each year.

At the end of each Plan year, the Companies make matching contributions for each participant's pre-tax and after-tax contributions that remain in the Plans at the end of the Plan year. The formulas for these matches, as set forth in the Plans, vary for each Company (see Schedule III). Certain groups of participants receive cash matches and other groups participate in the ESOP (as described below) and receive matching contributions in the form of Company common stock. All matching cash contributions, ESOP shares, and earnings thereon are immediately vested and nonforfeitable.

In July 1989, the Company established the ESOP Trust and sold 2,362,206 shares of its common stock at \$31.75 per share (amounts reflect two-for-one common stock split) to the ESOP Trust in exchange for a \$75 million promissory note (the Note) secured by the shares. In December 1990, the ESOP Trust prepaid its then-current indebtedness to the Company with proceeds from the issuance of \$72,750,000 of 8.76 percent ESOP Notes due 1998 and guaranteed by the Company (see Note 6). The arrangement requires the Companies to contribute an aggregate annual amount to the ESOP Trust equal to the annual principal and interest payable under the terms of the Note after application of dividends paid on shares held in the ESOP Trust. As the ESOP Trust's indebtedness is repaid from these sources of funds, shares are allocated to the accounts of participants in the ESOP in relative proportion to each participant's contributions to the Plans as well as dividends received on shares previously allocated to the participant's account in the ESOP Trust. As of December 31, 1996, 897,070 shares were allocated and 1,465,136 remain unallocated in the ESOP Trust.

Participant and Company cash matching contributions are deposited in the Trust and then invested in the seven investment funds in accordance

with participant elections. Account balances and contributions can be invested in one or more of the seven investment funds in multiples of 1 percent. Investment direction can be changed daily with a limit of two times per month. Until February 3, 1997, common stock account balances in the ESOP account could not be redirected. As of February 3, 1997, participants 55 years of age or older are able to diversify their stock account balances in the ESOP account into the other RSP investment options. Investment experience is allocated to participant accounts on a daily basis.

#### Participant Withdrawals

---

Participants are permitted to withdraw their after-tax contributions, the Company cash matching contributions (after remaining in the account for two full plan years) and accumulated earnings thereon. Participants are also permitted to take out loans (see Note 2). In the event of financial hardship, participants are permitted to withdraw pre-tax contributions and accumulated earnings thereon. Each hardship withdrawal request, including proof of financial hardship, is reviewed individually by the Plans' Administrator. In-service withdrawals from the ESOP account are prohibited.

#### Plan Payouts

---

Upon termination of employment, immediate distribution is made to those participants with account balances less than or equal to \$3,500. Terminating participants with account balances greater than \$3,500 must consent to any payment prior to the attainment of age 70 1/2. Participants who do not consent to immediate distribution may subsequently elect in writing to begin receiving benefits as soon as is practical, provided that in any event the distribution commences no later than April 1 of the Plan year following the Plan year in which age 70 1/2 occurs. Account balances remaining in the Plans will continue to share in the earnings of the investments prior to distribution. Distributions from the ESOP portion of the Plans are in whole shares of stock allocated to participant accounts, with cash for partial shares unless participants elect to receive the entire distribution in cash at current market value.

#### 4. PLAN AMENDMENTS

---

Effective January 1, 1995, the after-tax match for DWU-CMEP employees (Bargaining Plan) was replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay and \$.25 for every \$1 contributed up to the next 4% of gross pay.

Effective January 1, 1996, the after-tax match for OCU employees hired after June 19, 1990 and OCU-CMEP employees (Bargaining Plan) was replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay and \$.25 for every \$1 contributed up to the next 4% of gross pay.

Effective January 1, 1997, the pre- and after-tax matches for Salaried and Nonbargaining Hourly and Consolidated Diesel Company (CDC) was replaced by a pre-tax match of \$.50 for every \$1 contributed up to 6% of gross pay. However, hourly employees meeting certain criteria at Jamestown, Charleston and CDC had the option of adopting the above mentioned amendment or remaining with the old plan.

#### 5. TAX STATUS

---

The Internal Revenue Service issued determination letters stating that the Plans were qualified in accordance with applicable plan design requirements as of their dates. In the opinion of the Plan Administrator and Internal Tax Counsel, the Plans are currently designed and continue to operate in a manner that qualifies them under Internal Revenue Code (IRC) Section 401(a) and, therefore, are exempt from income taxes under the provisions of IRC Section 501(a). Accordingly, no provision for Federal income taxes has been made.

#### 6. LONG-TERM DEBT

---

The ESOP Trust has issued \$72,750,000 of ESOP Notes due in 1998 with an annual interest rate of 8.76 percent payable semi-annually to the Note holders (see Note 3). Effective January 1, 1993, the interest rate on the notes was reduced to 8.68 percent due to a tax law change. Principal payments of \$1.6 million and \$1.7 million are due in 1997, and 1998 respectively. The final principal payment, \$63.3 million, is due on July 15, 1998.

#### 7. PARTIES-IN-INTEREST AND REPORTABLE TRANSACTIONS

---

Party-in-interest transactions during the plan year ended December 31, 1996 are included in Schedules I and II of these statements.

Reportable transactions during the plan year ended December 31, 1996 are included in Schedule II of these statements.

SCHEDULE I

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
EIN 35-0257090

ITEM 27 A: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AS OF DECEMBER 31, 1996

(cost and market value amounts stated in 000's)

ISSUER/DESCRIPTION	COST	MARKET VALUE
<b>Salaried:</b>		
The Northern Trust Company Short-Term Investment Fund	\$ 1,134	\$ 1,134
Cummins Engine Company, Inc. Fixed Income Fund****	89,808	89,808
Vanguard Wellington Fund***	62,735	77,360
Vanguard U.S. Growth Fund***	35,396	45,475
Vanguard Index Trust Fund***	45,273	53,581
Vanguard Explorer Fund***	8,778	9,192
Vanguard International Fund***	7,913	6,971
Cummins Engine Company, Inc. Common Stock***	79,698	111,725
Participant Loans (7.0%-10.0%)	5,919	5,919
	<u>\$336,653</u>	<u>\$401,165</u>
<b>Bargaining:</b>		
The Northern Trust Company Short-Term Investment Fund	\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund****	111,753	111,753
Vanguard Wellington Fund***	40,215	49,591
Vanguard U.S. Growth Fund***	13,518	17,367
Vanguard Index Trust Fund***	19,913	23,567
Vanguard Explorer Fund***	2,160	2,262
Vanguard International Fund***	1,515	1,335
Cummins Engine Company, Inc. Common Stock***	4,171	5,847
Participant Loans (7.0%-10.0%)	4,084	4,084
	<u>\$197,330</u>	<u>\$215,806</u>
<b>Onan:</b>		
The Northern Trust Company Short-Term Investment Fund	\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund****	19,473	19,473
Vanguard Wellington Fund***	19,697	24,290
Vanguard U.S. Growth Fund***	10,249	13,167
Vanguard Index Trust Fund***	13,496	15,973
Vanguard Explorer Fund***	2,081	2,179
Vanguard International Fund***	1,466	1,292
Cummins Engine Company, Inc. Common Stock***	1,700	2,383
Participant Loans (7.0%-10.0%)	1,734	1,734
	<u>\$ 69,897</u>	<u>\$ 80,491</u>
<b>Lubricon:</b>		
The Northern Trust Company Short-Term Investment Fund	\$ -	\$ -
Cummins Engine Company, Inc.		

Fixed Income Fund****	67	68
Vanguard Wellington Fund***	60	74
Vanguard U.S. Growth Fund***	71	91
Vanguard Index Trust Fund***	89	105
Vanguard Explorer Fund***	41	43
Vanguard International Fund***	38	33
Cummins Engine Company, Inc. Common Stock***	12	18
Participant Loans (7.0%-10.0%)	21	21
	<hr/>	<hr/>
	\$ 401	\$ 453

CDC:

The Northern Trust Company Short-Term Investment Fund Cummins Engine Company, Inc. Fixed Income Fund****	\$ -	\$ -
Vanguard Wellington Fund***	5,921	5,920
Vanguard U.S. Growth Fund***	3,529	4,352
Vanguard Index Trust Fund***	2,477	3,182
Vanguard Explorer Fund***	2,808	3,323
Vanguard International Fund***	393	411
Cummins Engine Company, Inc. Common Stock***	354	312
Participant Loans (7.0%-10.0%)	612	858
	<hr/>	<hr/>
	\$ 17,046	\$ 19,312

Total:

The Northern Trust Company Short-Term Investment Fund Cummins Engine Company, Inc. Fixed Income Fund****	\$ 1,134	\$ 1,134
Vanguard Wellington Fund***	227,022	227,022
Vanguard U.S. Growth Fund***	126,237	155,667
Vanguard Index Trust Fund***	61,711	79,282
Vanguard Explorer Fund***	81,578	96,549
Vanguard International Fund***	13,453	14,087
Cummins Engine Company, Inc. Common Stock***	11,286	9,943
Participant Loans (7.0%-10.0%)	86,193	120,831
	<hr/>	<hr/>
	12,712	12,712
	<hr/>	<hr/>
	\$621,326	\$717,227

\*\*\* Identifies known party-in-interest to the plan

\*\*\*\*See detail of Cummins Engine Company, Inc. Fixed Income Fund following Schedule I.

Schedule I

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND INVESTMENT PLANS  
EIN 35-0257090  
ITEM 27A: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AS OF DECEMBER 31, 1996  
(cost and market value amounts stated in 000's)

SECURITY NAME UNDERLYING ASSET	RATE	MARKET VALUE AT 12/31/96
AIG 129128	7.12%	\$ 8,300
AIG 181758	4.95%	3,053
Canada Life P45735	5.90%	7,308
Deutschi Bank VG-CUM-1	6.34%	16,768
Harford Life GA-9650	5.43%	8,536
Metropolitan 13296	5.66%	6,341
Metropolitan 13753	6.93%	8,375
New York Life GA-06971	7.10%	5,957
New York Life GA-06971-002	7.32%	11,861
New York Life GA-30196	7.88%	12,865
New York Life GA-30196-002	7.35%	6,352



Principal 4-15203-1	7.75%	8,231
Principal 4-15203-2	7.86%	8,249
Principal 4-15203-3	7.30%	6,810
Prudential GA 5036-214	5.21%	4,696
Prudential GA 5036-216	7.26%	8,443
Rarobank CUM-118601	6.03%	5,039
Rarobank CUM-090501	6.17%	10,863
Rarobank CUM-049601	6.51%	10,432
Sun Life Canada S-0856-G	5.77%	9,914
Sun Life Canada S-0834-G	6.70%	13,082
Sun Life Canada S-0877-G	5.70%	6,070
Union DK Switzerland 2112	6.05%	13,226
VGI Money Market Prime	5.19%	26,328

Total \$227,099

<TABLE>

Schedule II

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND INVESTMENT PLANS  
SCHEDULE OF REPORTABLE TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 1996  
(amounts stated in 000's)

<CAPTION>

Current	Gain or		Number of	Par Value	Purchased	Sales
Proceeds	Value	(Loss)	Transactions	or Principal	Cost	
				Amount		
<S>	<C>		<C>	<C>	<C>	<C>
Description of Issue						
Vanguard Wellington Fund*** - - \$35,829 \$ -			150	N/A	\$35,829	\$
Vanguard Wellington Fund*** 23,284 4,581			167	N/A	18,703	
Vanguard World-U.S. Growth*** - - 27,741 -			196	N/A	27,741	
Vanguard World-U.S. Growth*** 11,312 - 2,882			118	N/A	8,430	
VMMR - Prime Portfolio*** - - 53,456 -			118	N/A	53,456	
VMMR - Prime Portfolio*** 54,496 - -			64	N/A	54,496	
Vanguard Index Trust 500*** - - 309 -			6	N/A	309	
Vanguard Index Trust 500*** 69,531 - 13,348			3	N/A	56,183	
Vanguard Institutional Index*** - - 91,909 -			169	N/A	91,909	
Vanguard Institutional Index*** 11,503 - 1,172			139	N/A	10,331	
Fixed Income Fund - - 50,131 -			157	N/A	50,131	
Fixed Income Fund 47,988 - -			170	N/A	47,988	

\*\*\*Identifies known party-in-interest to the plan

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
SCHEDULE OF MATCHING CONTRIBUTION FORMULAS  
AS OF DECEMBER 31, 1996

EMPLOYING COMPANY	LOC CODE	LOCATION NAME	CASH CONTRIBUTIONS	ESOP STOCK CONTRIBUTION
Cummins Engine Company	110	Columbus Exempt	No	Yes (1) (2)
"	120	Columbus DWU	Yes (3) (4)	No
"	121	Walesboro DWU	Yes (15)	No
"	130	Columbus OCU	Yes (3) (4)	No
"	131	OCU New Hires	Yes (15)	No
"	132	Walesboro OCU	Yes (15)	No
"	133	OCU Levels 4 & 5	Yes (15)	No
"	135	Cols. Security	No	Yes (1) (2)
"	136	Cols Sec. New Hires	Yes (4) (5)	No
CADEC	190	CADEC	Yes (11)	No
Cummins Engine Company	200	CHS Mgmt. Services	No	Yes (1) (2)
Combustion Technologies	210	CTI Georgia	No	Yes (1) (2)
"	220	CTI Charleston	No	Yes (1) (2)
Cummins Engine Company	240	CHS Cylinder Head	No	Yes (1) (2)
"	250	CHS ReCon	No	Yes (1) (2)
"	260	CHS Engr Test Svcs.	No	Yes (1) (2)
"	291	Cummins Marine	No	Yes (1) (2)
"	300	Jamestown	No	Yes (1) (2)
"	301	JEP New Hires	Yes (5) (6)	No
Cummins Natural Gas Engines	390	Cummins Natural Gas	Yes (13) (14)	No
Cummins Americas, Inc.	400	Miami PDC	No	Yes (1) (2)
Atlas Crankshaft	500	Atlas Salaried	No	Yes (1) (2)
"	510	Atlas Union	Yes (16)	No
Onan Corporation	550	Onan-Multiple Loc.	Yes (9)	Yes (8)
"	551	Onan Huntsville	Yes (9)	Yes (8)
"	552	Onan OPE St. Peter	Yes (9)	Yes (8)
Fleetguard, Inc.	600	Fleetguard TN Salaried	No	Yes (1) (2)
"	610	Fleetguard Lake Mills Salaried	No	Yes (1) (2)
"	620	Fleetguard Lake Mills Hourly	No	Yes (1) (2)
Fleetguard, Inc.	630	Fleetguard TN Hourly	Yes (10)	No
Lubricant Consultants	640	Lubricon	Yes (12)	No
Kuss	650	Kuss Salaried	No	Yes (1) (2)
Kuss	651	Kuss Union	No	Yes (1) (2)
Fleetguard, Inc.	655	Separation Tech.	No	Yes (1) (2)
Cummins Engine Company	700	DRC Salaried	No	Yes (1) (2)
"	* 720	DRC TN Union	Yes (11)	No
"	* 730	DRC LA Union	Yes (13)	No
"	* 740	DRC LA Union	Yes (13)	No
Cummins Diesel Intl.	810	CDIL	No	Yes (1) (2)
Cummins Engine Company	815	CKEC	No	Yes (1) (2)
Consolidated Diesel Co.	900	Consol. Diesel Co.	Yes (11) (7)	No
Holset Engr. Company	950	Holset Memphis	No	Yes (1) (2)
"	951	Holset CHS	No	Yes (1) (2)
"	952	Holset Air Compressors	No	Yes (1) (2)

\*Participants at locations 720, 730 and 740 are not eligible to make Basic Savings Contributions.

Matching Contribution Legend

- ( 1 ) ESOP Stock Contribution based on 50% of 1st 2% of pay contributed as a Pre-Tax Contribution.
- ( 2 ) ESOP Stock Contribution based on 50% of 1st \$900 of pay contributed as a Basic Savings Contribution.
- ( 3 ) Cash Contribution of 50% (up to a maximum of \$325) of 1st 2% of pay contributed as a Pre-tax Contribution.
- ( 4 ) Cash Contribution of 50% of the 1st \$900 of pay contributed as a Basic Savings Contribution.
- ( 5 ) Cash Contribution of \$325 per year to Pre-Tax Contribution account, regardless of % of pay contributed.
- ( 6 ) Cash Contribution of 100% on 1st \$450 of pay contributed as a Basic Savings Contribution.

- ( 7 ) Cash Contribution based on 50% (up to a maximum of \$900) on 1st \$1,800 of pay contributed as a Basic Savings Contribution.
- ( 8 ) ESOP Stock Contribution based on 100% of 1st \$250, 75% of next \$250, 50% of next \$1,000, and 25% of next \$1,000 (maximum stock match = \$1,187.50). NOTE: Applies to Pre-Tax Contributions.
- ( 9 ) Cash Contribution of 25% of the 1st \$1,000 of pay contributed as a Basic Savings Contribution.
- (10) Cash Contribution of 50% of the 1st 2% of pay contributed as a Pre-Tax Contribution with a minimum of \$200 if at least 2% is contributed.
- (11) Cash Contribution of 50% of 1st 2% of pay contributed as a Pre-Tax Contribution.
- (12) Cash Contribution of 100% of 1st 2.5% of pay contributed as a Pre-Tax Contribution.
- (13) Cash Contribution of 50% of 1st 4% of pay contributed as a Pre-Tax Contribution.
- (14) Discretionary Cash Contribution.
- (15) Cash Contribution of \$1 for \$1 up to 2% of gross pay; \$.25 on dollar up to next 4% of gross pay for pretax.
- (16) Cash Contribution of \$1 for \$1 up to 2% of gross pay contributed as a Pre-Tax Contribution.

Schedule IV

Cummins Engine Company, Inc. and Affiliates  
Retirement and Savings Plans  
Employing Locations by Plan  
As of December 31, 1996

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for  
Salaried and Non-Bargaining Hourly Employees  
EIN # 35-0257090  
Plan 020

-----

110 Columbus Exempt	400 Miami PDC
135 Columbus Security	500 Atlas Salaried
136 Columbus Security New Hires	600 Fleetguard TN Salaried
190 CADEC	610 Fleetguard Lake Mills Salaried
200 Charleston Management Svcs.	620 Fleetguard Lake Mills Hourly
210 CTI Georgia	650 Kuss Salaried
220 CTI Charleston	655 Separation Technologies
240 CHS Headline	700 DRC Salaried
250 CHS ReCon	810 CDIL
260 CHS Engr. Test Services	815 Cummins Komatsu
291 Cummins Marine	950 Holset Memphis
300 Jamestown	951 Holset Charleston
301 Jamestown New Hires	952 Holset Air Compressors
390 Cummins Natural Gas Engines	

Cummins Engine Company, Inc. Retirement and Savings Plan for  
Onan Corporation Employees  
EIN # 41-0965373  
Plan 025

-----

550 Onan Multiple Locations	552 Onan OPE St. Peter
551 Onan Huntsville	

Cummins Engine Company, Inc. Retirement and Savings Plan for  
Consolidated Diesel Company Employees  
EIN # 56-1896727  
Plan 020

-----

900 Consolidated Diesel Company

Cummins Engine Company, Inc. Retirement and Savings Plan for  
 Lubricant Consultants, Inc. Employees  
 EIN # 22-2083361  
 Plan 020

640 Lubricon

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for  
 Bargaining Unit Employees  
 EIN # 35-0257090  
 Plan 030

120	Columbus DWU	510	Atlas Union
121	Walesboro DWU	630	Fleetguard TN Hourly
130	Columbus OCU	651	Kuss Union
131	OCU New Hires	720	DRC TN Union
132	Walesboro OCU	730	DRC LA Union
133	OCU Levels 4 & 5	740	DRC LA Union

Schedule V

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
 RETIREMENT AND SAVINGS PLANS  
 EIN 35-0257090

ITEM 27B: SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS  
 AS OF DECEMBER 31, 1996  
 (amounts stated in 000's)

PLAN	ORIGINAL AMOUNT OF LOAN	PRINCIPAL RECEIVED DURING THE YEAR	UNPAID PRINCIPAL AT 12/31/96	AMOUNT OVERDUE
Salaried	\$183	\$27	\$106	\$16
Bargaining	148	15	94	12
Onan	27	3	12	3
CDC	17	5	11	1

Participants may borrow amounts contributed up to 50% of the participant's account balance, not to exceed \$50,000. Loans must be repaid at least quarterly over a period not to exceed five years. Interest rates vary depending upon the time the loans are requested. A collection policy has been implemented to tax all delinquent loans greater than 90 days past due as distributions to the participant.

SIGNATURE  
 \_\_\_\_\_

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CUMMINS ENGINE COMPANY, INC.

RETIREMENT AND SAVINGS PLAN

\_\_\_\_\_  
 (Name of Plan)

By /s/ Carol K. Smalley

---

Carol K. Smalley  
Secretary - Pension  
Policy Committee

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

---

As independent public accountants, we hereby consent to the incorporation of our report dated June 20, 1996, included in this Form 11-K, into the Company's previously filed Registration Statement File Nos. 2-32091, 2-53247, 2-58696, 33-2161, 33-8842, 33-31095, 33-37690, 33-46096, 33-46097, 33-46098, 33-50665, 33-56115 and 33-32165.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
June 20, 1997.