CURTISS WRIGHT CORP
Form 10-K
February 27, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-134
CURTISS-WRIGHT CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-0612970 (I.R.S. Employer Identification No.)
4 Becker Farm Road, Roseland, NJ (Address of principal executive offices)	07068 (Zip Code)

Registrant's telephone number, including area code: (973) 597-4700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $1 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
[ ] Yes [X] No

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2007, was approximately $2.1 billion.

The number of shares outstanding of each of the Registrant's classes of Common stock as of January 31, 2008:

Class	Number of shares
Common stock, par value $1 per share	44,716,910

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of the Registrant with respect to the 2008 Annual Meeting of Stockholders to be held on May 2, 2008 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business.

FORWARD-LOOKING INFORMATION

Except for historical information, this Annual Report on Form 10-K may be deemed to contain "forward-looking" information within the meaning of the Private Litigation Reform Act of 1995. Examples of forward-looking information include but are not limited to: (a) projections of or statements regarding return on investment, future earnings, interest income, other income, earnings or loss per share, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking information may be identified by the use of forward-looking terminology such as "believes," "expects," "may," "should," "could, " "anticipates," the negative of any of the foregoing or variations of such term comparable terminology, or by discussion of strategy. No assurance may be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking information. Such statements in this Annual Report on Form 10-K include, without limitation, those contained in Item 1. Business, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 8. Financial Statements and Supplementary Data including, without limitation, the Notes To Consolidated Financial Statements, and Item 11. Executive Compensation. Important factors that could cause the actual results to differ materially from those in these forward-looking statements include, among other items:

- the Corporations' successful execution of internal performance plans and estimates to complete;
- performance issues with key suppliers, subcontractors, and business partners;
- the ability to negotiate financing arrangements with lenders;
- legal proceedings;
- changes in the need for additional machinery and equipment and/or in the cost for the expansion of the Corporation's operations;
- ability of outside third parties to comply with their commitments;
- product demand and market acceptance risks;
- the effect of economic conditions;
- the impact of competitive products and pricing;
- product development, commercialization, and technological difficulties;
- social and economic conditions and local regulations in the countries in which the Corporation conducts its businesses;
- unanticipated environmental remediation expenses or claims;
- capacity and supply constraints or difficulties;
- an inability to perform customer contracts at anticipated cost levels;
- changing priorities or reductions in the U.S. and Foreign Government defense budgets;
- contract continuation and future contract awards;
- U.S. and international military budget constraints and determinations;
- the other factors discussed under the caption "Risk Factors" in Item 1A below;
- and other factors that generally affect the business of companies operating in the Corporation's markets and/or industries.

These forward-looking statements speak only as of the date they were made and the Corporation assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

BUSINESS DESCRIPTION

Curtiss-Wright Corporation was incorporated in 1929 under the laws of the State of Delaware. We design and manufacture highly engineered, advanced technologies that perform critical functions in demanding conditions in the defense, commercial aerospace, energy, and general industrial markets, where performance and reliability are essential. Our general industrial markets include high-performance automotive, construction, simulation and test equipment, and engineering services.

Our core competence is providing advanced technologies with superior reliability for customers operating in harsh environments. In addition to meeting demanding performance requirements, our technologies significantly improve worker safety, minimize environmental impact, and improve operating efficiency. Our products and services include critical-function pumps, valves, motors, generators, and electronics; aircraft flight controls, landing systems, ordnance handling, stabilization and utility actuation; as well as metallurgical enhancement of highly stressed components. Curtiss-Wright competes globally based on technology and pricing, however, significant engineering expertise is a limiting factor to competition, particularly in the U.S. government market. Our business success is challenged by price pressure, environmental impact, and geopolitical events, such as the war on terrorism and diplomatic accords. Our ability to provide high-performance, advanced technologies on a cost-effective basis is key to meeting customer demand.

We manage and evaluate our operations based on the products we offer and the different markets we serve. Based on this approach, we operate through three segments: Flow Control, Motion Control, and Metal Treatment. Our principal manufacturing facilities are located in the United States and include principal facilities in California, Idaho, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, and Virginia. Principal international facilities are located in Canada, the United Kingdom, and Switzerland.

In 2007, Curtiss-Wright reached $1.6 billion in sales, an increase of 24% over 2006, which is a continuation of our double-digit sales rate growth in recent years. In the five years since 2002, Curtiss-Wright has attained a cumulative sales increase of 210%, or $1.1 billion, representing a compounded annual growth rate (CAGR) of 25%. This sales growth was achieved primarily through the acquisition of over 25 businesses, with an aggregate purchase price of approximately $700 million, while increasing organic sales growth each year from 6% in 2003 to 13% in 2007. During the same time period, operating income grew at a 21% CAGR, increasing from $69.0 million in 2002 to $179.1 million in 2007. We believe our ability to consistently grow operating income during this period of rapid growth illustrates our ability to integrate acquisitions quickly and profitability. We intend to continue to execute our aggressive growth which focuses on complementary markets that demand high performance and highly engineered products and services.

Our strategy, initiated in 2000, was to minimize our dependence on the commercial aerospace market and diversify into other key markets. The rebalancing of our portfolio was the result of focusing growth initiatives in two robust markets: energy and defense. As a result of our growth, the commercial aerospace component has decreased from 36% in 2001 to 17% in 2007, while our defense markets have increased from 23% of our portfolio in 2001 to 38% in 2007. In the same period, we have reinforced our diversification by attaining strategic positions in the growing energy markets, including oil and gas, and nuclear power generation, which now represent 18% and 12%, respectively, of our total portfolio. While Curtiss-Wright generated a shift in its business portfolio to the defense and energy markets over the past five years, we have also developed a new core competence in electronics technology. We believe our ability to design and develop future generations of advanced electronics systems is a strategic growth area for the high performance platforms in our served markets.

Flow Control

Our Flow Control segment primarily designs, manufactures, and distributes a portfolio of highly engineered, critical-function products including valves, pumps, motors, generators, instrumentation, and control electronics. These products manage the flow of liquids and gases, generate power, provide electronic operating systems, and monitor critical functions. Our primary markets are naval defense, commercial nuclear power generation, oil and gas processing, and general industrial applications. In the naval defense market, we are a global leader in propulsion technologies and a preferred supplier to the U.S. Navy for their aircraft carrier and submarine programs. Government sales, primarily to the U.S. Navy as a subcontractor, comprised 29%, 43%, and 48% of segment sales in 2007, 2006, and 2005, respectively. Revenues derived from the sales of valves during 2007, 2006, and 2005 represented 22%, 18%, and 16%, respectively, of our consolidated revenue.

The Flow Control segment consists of 21 companies managed through five operating divisions: Electro-Mechanical Systems, Valve Systems, Control Systems, Commercial Power and Services, and Oil and Gas Systems. The segment has a global customer base with principal manufacturing operations in the United States, Canada, and the United Kingdom.

Our Electro-Mechanical Systems division produces advanced electro-mechanical solutions for the U.S. Navy, commercial nuclear power generation, oil and gas processing, and other general industrial markets. The division designs and manufactures advanced pumps, motors, generators, propulsors, mechanicals seals, control rod drive mechanisms, and power conditioning electronics. This division develops, designs, manufactures, and performs qualification testing of critical-function, electro-dynamic solutions for their main customer, the U.S. Nuclear Navy, including main coolant pumps, other critical-function pumps, extremely power-dense, compact motors, main and ship service generators, secondary propulsion systems, and design engineering services. Current platforms include the CVN aircraft carrier and Virginia class submarines.

In addition, the segment provides propulsion motors and main generators to the non-nuclear U.S. Navy, including the DDG-1000 destroyer program. The division is strengthening its relationship with the Navy by participating in the design and development of major subsystems for the Navy's Electro-Mechanical Aircraft Launch System (EMALS) as well as the Advanced Arresting Gear (AAG) for installation in its aircraft carrier fleet. This division expanded its offerings to the military to now include advanced electro-magnetic product development to the U.S. Army as pulsed power technology continues to advance in the military weapons segment.

Electro-Mechanical Systems' products are also sold to complementary commercial markets, primarily nuclear power generation and oil and gas. We provide reactor coolant pumps, pump seals, and control rod drive mechanisms for commercial nuclear power plants. In 2007, we announced our first new construction contract for four Westinghouse AP1000 power plants to be built in China. This is a significant milestone both for the nuclear power renaissance, which the domestic market is expected to participate in, and the globalization of nuclear power technology. However, the division will have to compete with other major nuclear component suppliers in the United States market in which awards are based on a combination of preferred systems designs, historical relationship, and price.

In the oil and gas market, we are utilizing our motor and pumping system expertise and partnering with industry leaders to develop advanced systems for offshore recovery, production, and transmission. Current programs encompass sub-sea pumping and power-dense motors for compact, integrated compressor systems. This division has also expanded its offerings to include hazardous waste pumps to the Department of Energy (DOE). This division has locations in Cheswick, Pennsylvania, and Phillipsburg, New Jersey.

In 2007, this division acquired Benshaw Industrial Controls Inc., of Pittsburgh, PA. Benshaw is a market leader in the design, development, and manufacture of integrated motor-controls and protection technologies solutions for leading original equipment manufacturers (OEMs) and industrial customers. Benshaw engineers and manufactures a full range of rugged, reliable, and internationally compliant products that smoothly control the amount of electrical current provided to motors. Custom panel solutions include a variety of low and medium voltage components, such as starters, drives, contactors, breakers and other related devices. While this is a highly competitive market, Benshaw is an established leader with an installed base of over 100,000 control units, with hundreds of custom designed systems.

Benshaw's customers are in the industrial heating, ventilation, and air conditioning (HVAC) market as well as the energy processing market, including petrochemicals, power generation, mining, and transportation. Strategically, Benshaw provides a significant opportunity to expand our product offerings in the commercial power generation, control electronics, and systems markets, in particular for our high speed motors and AP1000 pumps, as well as providing a low-cost manufacturing resource for future military applications. Founded in 1983, Benshaw employs approximately 410 people and has nine locations in the U.S. and two in Canada.

Our Valve Systems division produces high-performance, specialized valve solutions that control the flow of liquids and gases and prevent over-pressurization of vessels, pipelines, and equipment. Valve Systems division designs, engineers, and manufactures spring-loaded and pilot-operated pressure-relief valves, as well as metal-seated industrial gate, butterfly boltless slide, plug, angle, diverter, and ball valves used in standard and advanced applications, including high-cycle, high-pressure, extreme temperature, and corrosive plant environments. Because of the critical nature of these applications, our products are highly engineered to meet stringent performance and reliability requirements. In addition, this segment provides engineering support, testing, repair, and consulting services globally. Key markets include defense, power generation, oil and gas processing, and general industrial markets.

This division's valves are utilized in the nuclear propulsion system of every nuclear submarine and aircraft carrier commissioned by the U.S. Navy. Current programs include the Virginia class submarine and CVN aircraft carriers. In addition, we provide spares and repair work for various submarine classes, such as Los Angeles and Trident, as well as the Nimitz class aircraft carriers. Despite a relatively flat naval defense budget in recent years, growth has been generated in this market through long-standing customer relationships and successful development programs for non-nuclear control valves and flight critical applications aboard the nation's aircraft carriers. Although there is strong competition for these awards, competition is limited by significant qualifications and performance requirements. In commercial markets, this division provides valves to commercial nuclear power plants, oil and gas refineries, production platforms and pipelines, and general processing industries worldwide. In addition, we are integrating our core hardware technology with engineering software to enhance product selection and inventory management. General industrial products within the Valves division include hydraulic power units and components primarily for the automotive and entertainment industries, specialty hydraulic and pneumatic valves, air-driven pumps, gas boosters, and directional control valves used in industrial applications such as truck transmissions and car transport carriers. Competition is based upon quality of technology, price, installed base, and delivery times. This division is headquartered in East Farmingdale, New York with facility locations in New York, Louisiana, Ohio, Tennessee, Canada, the United Kingdom, and South Korea, as well as a joint venture in Russia. In addition, during 2007, this division opened a facility in Tianjin, China to establish a local presence in this high-growth market.

Our Controls Systems division develops, manufactures, tests, and services specialized electronic instrumentation and control equipment which includes instrumentation for primary and secondary controls, steam generator control equipment, valve actuators, and valve and heater controls. This division provides custom designed and commercial-off-the-shelf (COTS) electronic circuit boards and systems to the U.S. Nuclear Navy. There is strong competition in the Navy nuclear market, but competition is limited by significant qualification and performance requirements.

The Controls Systems division also designs and manufactures advanced valve controllers and predictive maintenance systems for the oil and gas and industrial markets. The division's products include plant instrumentation, primary and secondary controls, steam generator control equipment, valve actuators, valve and heater controls, calorimetric instrumentation, generic digital signal processor cards, digital and numeric readout meters, response time test instrumentation, reactor plant control equipment, Stress Wave Analysis (SWAN) technology, and COTS power supply units. The division also provides engineering and support services which include embedded system design, shipboard automation and valve networking, microprocessor, Field Programmable Gate Array (FPGA), and analog design, system integration, software design and qualification, and factory acceptance testing. This division is headquartered in East Farmingdale, New York.

Our Commercial Power and Services division designs, manufactures, distributes, and qualifies flow control products for nuclear power plants, hydroelectric energy producers, the DOE, and the Department of Defense. This division offers a wide range of fastening systems, specialized containment doors, airlock hatches, electrical units, bolting solutions, machined products, valves, pumps, diamond wire concrete cutting, and enterprise resource planning and consulting services. In addition, the division provides distribution and servicing of OEM spare parts and valve components, training, on-site services, staff augmentation, and engineering programs relating to nuclear power plants. This division has locations in Brea, California, Idaho Falls, Idaho, and Middleburgh and Cincinnati, Ohio.

As anticipation of the renaissance of nuclear power continues, we will face a growing number of competitors. Many of the suppliers that participated in the construction of first and second generation nuclear power plants retired their nuclear Quality Assurance programs and exited the business during the past 20 years. Several of them have established plans to re-enter the market. Additionally, there has been growth in the nuclear certification of new suppliers internationally.

Our operations have maintained all of the regulatory certifications required to provide and/or qualify value-added representations and certification of nuclear-grade products and are well positioned to benefit from a commercial nuclear renaissance both domestically and internationally. The key will be to remain competitive and continue to offer excellent performance and quality products.

We feel we maintain a competitive advantage by virtue of our breadth of nuclear technology, industry-benchmarked Quality Assurance programs, large installed base, strategic alliances, resident expertise and customer recognition of the important nature of our long-term commitment to servicing the unique challenges of the market.

In 2007, this division acquired Scientech, LLC of Idaho Falls, Idaho. Scientech is a global provider of commercial nuclear power instrumentation, electrical components, specialty hardware, process control systems, and proprietary database solutions aimed at improving safety and plant performance, efficiency, reliability, and reducing costs. Scientech□s products complement our existing commercial nuclear portfolio and provide us with an excellent opportunity to expand in this high growth market with critical hardware, plant process controls, and proprietary database solutions. Scientech operates through two divisions: Technical & Hardware Solutions, which provides instrumentation, electrical and mechanical hardware for utilities to address obsolescence and to improve the efficiency and safety of operations, and Utility Services which provides specialized analysis, technical consulting, and engineering solutions that assist in modernizing facilities, improving operating efficiency, and responding to regulatory requirements.

Founded in 1983, Scientech has grown steadily. Its customers are the leading players in the domestic and international commercial power generation market, as well as government agencies engaged in nuclear activities. The company is headquartered in Idaho Falls, Idaho and has facilities in Huntsville, Alabama, Dunedin, Florida, Berwick, Pennsylvania, and New Milford, Connecticut.

Our Oil and Gas Systems division designs and manufactures valves and vessel products for the oil and gas refining market. Primary products include coke deheading systems, fluidic catalytic cracking unit (FCCU) components, and web-enabled software for the FCCU process control. This division operates facilities in the U.S., Canada, and United Kingdom.

We are a premier supplier of coke deheading systems, which includes top and bottom un-heading valves, isolation valves, and cutting tools required to open and empty coke drums during the refining process. Included in this portfolio of products is the DeltaGuard coke-drum unheading valve, a revolutionary advancement in coke-drum unheading technology. Our patented technology is remotely operated, therefore inherently safe, easy to operate, reliable, cost effective, and can be configured for any coke-drum application. The division also provides inspection, installation, repair and maintenance, and other field services for harsh environment flow control systems. Competition is limited in this market due to our patented and proven technology in this critical, severe service application.

Our FCCU product portfolio includes custom-designed valves, engineered pressure vessels, and complementary components that operate in industrial process applications including fluid, residual, and catalytic cracking units as well as power generation, steel manufacture, and ore reduction. We manufacture, repair, and modify orifice chambers, hydrotreaters, and American Society of Mechanical Engineers (ASME) code pressure vessels. In addition, we provide a wide array of field services, including equipment repair, modification or replacement, inspection of valves, controls, pipes and refractory linings, maintenance planning and scheduling for valves or control systems, diagnostic assistance with troubleshooting problems in critical components, and on-site system training. Due to the critical and severe service applications requiring highly engineered solutions, competition is limited to a few major competitors. While we face stiff price competition on most major projects, our large installed base product suite, integrated systems capability and aftermarket service attracts a significant customer base.

In 2007, this division acquired Valve Systems and Controls (VSC) of Houston, Texas. VSC provides critical valve, automation, and controls solutions for all facets of flow control operations to the oil and gas market. VSC has been a long-standing partner with DeltaValve and this acquisition positions Curtiss-Wright as a leader in turnkey coker system globally, delivering critical valve, automation and control system products for the delayed coke deheading process in oil refineries. VSC is the exclusive channel to market for DeltaValve coker products for North and South America. In addition, VSC provides valve automation, process control and protection technology, project engineering and aftermarket field services to related secondary refining processes, oil production platforms and storage facilities, liquefied natural gas (LNG) terminals and storage facilities, natural gas pipeline operations, and power generation facilities. Competitive pricing pressure for valve automation systems is mitigated by our superior technical expertise and extraordinary service.

Founded in 1974, VSC is headquartered in Houston, Texas, with approximately 65 employees and satellite offices in Baton Rouge, Louisiana, and Seoul, South Korea.

The following list defines our principle products and the markets served by the Flow Control segment.

Naval Defense

- **Nuclear propulsion system components**
  - Valves (butterfly, globe, gate, control, safety, relief, solenoid, hydraulic operated gate)
  - Pumps
  - Motors and generators
  - Instrumentation and controls
- **Non-nuclear products**
  - Smart leakless valves
  - Sub-safe ball valves
  - Jet-fuel pumping valves

Steam generator control equipment
Air driven fluid pumps
Engineering, inspection, and testing services

- **Aircraft carrier launch and retrieval equipment**
  Advanced electromagnetic systems
  Flight critical components (aircraft shuttle components, holdback bars, capacity selector valves)
- **Instrumentation and control systems**

Ground Defense

- **Electromagnetic gun pulsed-power supply system**

Oil & Gas Processing

- **Critical process valves**
  - DeltaGuard coker unheading valve
  - Boltless catalyst control slide valves
  - Butterfly and triple offset butterfly valves
  - Pilot operated relief valves
  - Pressure relief valves
  - Safety valves
  - Solenoid, gate, and globe valves
  - Steam valves
- **Fluidic catalytic cracking equipment**
  - Air grids and cyclones
  - Risers, headers, and wye sections
- **Engineered process vessels**
  - Cat cracker reactors and regenerator heads
  - Hydrotreators
- **Advanced valve controls and prognostics technology**
  - Digital valve controller with redundant technology
  - Signature recognition for fault and leak detection
  - Integrated valve, automation, safety and control systems
- **Web-enabled process control software**

Nuclear Power Generation

- **Advanced motors and generators**
- **Pumps**
  - Reactor coolant and process
- **Valves**
  - Solenoid, ball, butterfly, check, pressure relief, safety and pilot-operated relief valves, and gate and globe (motor operated, air operated, pneumatically operated)
- **Control rod drive mechanisms**
- **Design, fabrication of nuclear facility airlocks, doors, hatches**
- **Instrumentation**
- **Diagnostic and test equipment**
- **Fluid sealing technologies**
- **Actuators**
  - Pneumatic and hydraulic
- **Plate heat exchangers**
- **Separation technologies**
- **Fasteners**
- **Advanced bolting technologies**
- **Diamond wire concrete cutting**
- **Engineering services**
- **Equipment qualification, commercial grade dedication**
- **Inventory management systems**

General Industrial

- **Valves**
  - Directional control and pneumatic
- **Critical machinery fault detection and prognostics systems**

The Flow Control segment competes globally on the basis of technical expertise, price, delivery, contractual terms, previous installation history, and globally renowned reputation for quality. Delivery speed and the proximity of service centers are important with respect to aftermarket products. Sales to commercial end users are accomplished primarily by direct sales employees and, in certain instances, by manufacturers representatives located in primary market areas, such as nuclear power utilities, principal boiler and reactor builders, processing plants, and architectural engineers. For its military contracts, the segment receives requests for quotes from prime contractors as a result of being an approved supplier for naval propulsion system pumps and valves. In addition, sales engineers support non-nuclear sales activities. The segment uses the direct distribution basis for military and commercial valves and associated spare parts.

Backlog for this segment at December 31, 2007, was $775.6 million, of which 40% will be shipped after one year, compared with $434.9 million at December 31, 2006. Approximately 30% of this segment's backlog as of December 31, 2007 is comprised of commercial nuclear orders with Westinghouse Electric Company LLC ("Westinghouse"). Sales to Westinghouse represented approximately 6%, 10%, and 8% of total segment sales in 2007, 2006, and 2005, respectively. Additionally, 16% of this segment's backlog as of December 31, 2007 is comprised of orders with the U.S. Navy through a prime contractor, Bechtel Group, Inc. Sales by this segment to Bechtel accounted for 15%, 21%, and 24% of this segment's total sales in 2007, 2006, and 2005, respectively, or 7%, 9%, and 10% of our consolidated revenue. The loss of these customers would have a material adverse effect on the business of this segment and us. None of this segment's business is seasonal. Raw materials are generally available in adequate quantities, although pricing is impacted by commodity prices.

Motion Control

Our Motion Control segment designs, develops, manufactures, and maintains sophisticated, high-performance mechanical actuation and drive systems, mission-critical embedded computing systems, and electronic monitoring sensors. These products assist in the take-off and landing of aircraft, manage the ordnance handling of weapons in flight and on rough ground terrain, provide critical flight data monitoring and communication, and electronic landing systems which enable shipboard helicopter recovery in adverse weather conditions. Our primary markets include defense, commercial aerospace and industrial equipment markets. Government sales, primarily as a subcontractor to United States prime contractors, comprised 62%, 63%, and 64% of segment sales in 2007, 2006, and 2005, respectively. Sales to the Boeing Company, which includes both military and commercial market products, comprised 10% of segment sales in 2007, 2006, and 2005. No other individual customer represents more than 10% of this segment's aggregate sales.

The Motion Control segment consists of 20 business units that are organized and managed as three core technology groups: Engineered Systems, Embedded Computing, and Integrated Sensing. The segment has a global customer base with principal manufacturing operations in the United States, Canada, the United Kingdom, and Switzerland.

Our Engineered Systems division's product offerings to the aerospace industry consist of electro-mechanical and hydro-mechanical actuation control components and systems designed to position aircraft control surfaces or to operate canopies, cargo doors, weapons bay doors, or other devices used on commercial and military aircraft. Commercial aircraft platforms include the Boeing 737, 747, 757, 767, 777, 787, Airbus A320, A330, A340, and A380. Military aircraft platforms include F-22 Raptor, F-35 Joint Strike Fighter Lightning II, F/A-18 Hornet, F-16 Falcon, V-22 Osprey, Global Hawk, and the Sikorsky UH-60 Black Hawk and SH-60 Seahawk helicopters. The division also provides electric motors, controllers, and smaller electromechanical actuation subsystems for flight, engine, and environmental control applications on various commercial transports, regional aircraft, business aircraft, military aircraft, and spacecraft.

As a related service within the Engineered Systems division, we also provide commercial airline, military, and general aviation customers with component overhaul and repair services. These services include the overhaul and repair of hydraulic, pneumatic, mechanical, electro-mechanical, and electronic components, aircraft parts sourcing, and component exchange services for a wide array of aircraft.

In addition, Engineered Systems designs, manufactures, and distributes electro-mechanical and electro-hydraulic actuation components and systems, electronic controls for military tracked and wheeled vehicles and high-speed tilting trains, and commercial markets utilizing drive technology. These products consist of turret aiming and stabilization, weapons handling systems, suspension systems for armored military vehicles sold to foreign defense equipment manufacturers, tilting systems for high-speed train applications, fuel control valves for large commercial transport ships, and a variety of commercial servo valves.

Through its marine defense unit, the Engineered Systems division designs and manufactures electro-mechanical systems for landing helicopters aboard naval vessels. The shipboard helicopter handling systems are used by the U.S. Navy, U.S. Coast Guard, and more than ten other navies around the world. The division also designs and builds elements of the ship's aircraft storage structures, including telescopic hangars and hangar doors. Specialized handling systems are provided for towing sonar and mine sweep systems for submarines and surface ships.

Engineered Systems products are sold primarily through a domestic and international sales force. In addition, we have a marketing distribution facility in Singapore. A direct sales force is utilized with assistance from commissioned agents. Sales to Japan are made through Mitsubishi Trading Corporation, and certain sales to the U.S. Navy are made through the Canadian Commercial Corporation. All other sales are made directly to OEM□s, airlines, and government agencies as well as to aircraft and ship builders around the world.

Our Engineered Systems products are sold in competition with a number of other suppliers, some of whom have broader product lines and greater financial, technical, and human resources. The competitive environment for these products has become more concentrated due to recent strategic trends at the prime contractor level resulting in a smaller market of vertically integrated suppliers while prime contractors specialize in integration and final assembly. Price, technical capability, performance, service, and □overall value□ are the primary forces of competition with an ability to offer solutions to perform control and actuation functions on a limited number of new production programs. Our overhaul and repair services are sold in competition with a number of other overhaul and repair providers with a focus on quality, delivery, and price. The division provides these services from facilities in Gastonia and Shelby, North Carolina, Miami, Florida, Mississauga and Stratford, Ontario, and Neuhausenam, Switzerland.

Our Integrated Sensing division develops and manufactures a range of sensors, controllers, and electronic control units for military and commercial aerospace and industrial markets. These products include position, pressure, and temperature sensors, solenoids and solenoid valves, smoke detection sensors, torque sensing, ice detection and protection equipment, air data computers, flight data recorders, joysticks, and electronic signal conditioning and control equipment. We sell our products primarily to prime contractors and system integrators, both directly and through a network of independent sales representatives on a worldwide basis. Position sensors are used on primary flight control systems and engine controls on Airbus and Boeing aircraft, regional and business aircraft, and on many U.S. and European military aircraft. Air data, flight recorder, and ice protection equipment are supplied to many helicopter applications. We also sell our products for use in a wide range of industrial applications such as off-highway vehicles, powered wheelchairs, process control, and competitive racing.

Competition within the Integrated Sensing division, especially in the aerospace market, is increasingly being driven by price. The ability to service the customer with superior performance and quality is expected of all vendors, but downward pricing pressure is emerging as a key discriminator. Integrated sensor products are manufactured through facilities in the United Kingdom, Germany, and the United States.

In 2007, this division acquired IMC Magnetics Corporation (IMC). IMC produces solenoids, fans, motors and specialized products for numerous aerospace, commercial, and industrial applications. With a portfolio of over 7,000 different solenoid and solenoid valve designs, IMC□s products are used by leading OEMs in a variety of applications such as fuel control systems, engine bleed, landing gear, wheel brake systems, and aircraft hydraulic directional controls. Additionally, the company□s strong capability in fans and motors has produced multiple designs and products such as DC brushless fans, induction motors, tube axial fans, vane axial fans, centrifugal fans and blowers, and mixed flow fans. IMC further diversifies our product offerings in the aerospace, defense, and industrial markets and provides additional manufacturing resources. Founded in 1951, IMC employs approximately 220 people and has facilities in Tempe, Arizona and Nogales, Mexico.

Our Embedded Computing division designs, develops, and manufactures embedded computing board-level modules and integrated subsystems primarily for the naval, aerospace, and ground defense markets. Using standard, commercially available electronic technologies, coupled with application domain specific knowledge, this division offers hardware and software modules based on open industry standards, referred to as COTS. Our integrated subsystems include both in-house and third party modules as well as custom modules based on in-house intellectual property content. We also offer support services that include: life-cycle management, technical support, training, and development of custom module variants based on COTS modules. Our Embedded Computing division is considered one of the most comprehensive and experienced single source for processing, data communications, digital signal processing, and video and graphics computing solutions. Our COTS modules and integrated subsystems are designed to perform reliably in rugged conditions, such as extreme temperatures, terrain and/or speed which result in high shock and vibration, as well as in commercial environments for use in laboratory and benign environment applications.

Embedded Computing's subsystem products are used in a wide variety of mission-critical military applications, including fire control, aiming and stabilization, munitions loading, and environmental processors for military ground vehicles. These products are used on demanding combat platforms such as the Bradley fighting vehicle, the Abrams M1A2/A3 tank, and the Brigade Combat Team Interim Armored Vehicle, which is part of the U.S. Army's modernization and transformation efforts. This division also provides the mission management, flight control computers, and the sensor management units for advanced aerospace platforms including the U.S. Air Force Global Hawk, which is a high-altitude and high-endurance unmanned aerial vehicle.

Embedded Computing's modules are used in hundreds of active programs today, including leading-edge military platforms such as the Improved Bradley Acquisition System and the Improved Tow Acquisition System. The modules feature high performance chips on open architectures. The division has taken a leadership position in the drafting and definition of the newest embedded standards, which are designed to address the more demanding performance and bandwidth requirements of emerging applications. Embedded Computing is one of the first embedded computing vendor to announce forthcoming boards and systems based on these new architectures. Embedded Computing is also committed to supply technology for some of the most advanced future military platforms including the F-22, F-35, and Future Combat System.

This division's products are manufactured at its operations located in the United States, Canada, and the United Kingdom. Our products are sold primarily to prime contractors and subsystem suppliers located primarily in the United States, Canada, and the United Kingdom, both directly and through a network of independent sales representatives. In recent years, competition in the embedded electronic systems market has migrated away from traditional board competitors toward subsystem and system providers selling to prime and second-tier defense and aerospace companies. Competition in this market is based on quality of technology, price, and delivery times.

The following list defines our principle products and the markets served by the Motion Control segment.

Commercial Aerospace

- **Commercial jet transports**
  - Secondary flight control actuation systems and electromechanical trim actuators
  - Aircraft cargo door and utility actuation systems
  - Fire detection and suppression control systems
  - Position sensors
  - Solenoids and solenoid valves
- **Business/regional jets**
  - Throttle quadrants
- **Helicopters**
  - Rotor ice protection systems
- **Repair & overhaul services**
  - Component overhaul and logistics support services

Military Aerospace

- **Transport and fighter aircraft**
  - Weapons bay door actuation systems
  - Secondary flight control actuation
  - Rotary actuation for environmental control systems
  - Weapons handling systems
- **Helicopters**
  - Radar warning systems
  - Acoustic processing systems
  - Flight data recorders
  - Air data computers
- **Unmanned aerial vehicles**
  - Integrated mission management and flight control computers
  - Weapons handling systems

Ground Defense

- **Tanks and light armored vehicles**
  - Digital electromechanical aiming and stabilization systems
  - Fire control, sight head, and environmental control processors
  - Single Board Computers for target acquisition systems
  - Hydropneumatic suspension systems
  - Ammunition handling systems

Marine Defense

- **Surface ships**
  - Helicopter handling and traverse systems
  - Tie-down components
- **Marine propulsion**
  - Marine engine diesel valve injection systems
- **Submarines**
  - Cable handling systems for towed arrays

Other Military & Government

- **High performance data communication products**
  - Power conversion products
- **Space programs**
  - Control electronics and sensors
- **Security systems**
  - Perimeter intrusion detection equipment
- **FAA**
  - Airport surface detection equipment radar video processing

General Industrial Markets

- **Automated industrial equipment**
  - Air, sea, and ground simulation
  - Fractional horse power (HP) specialty motors
  - Force transducers
  - Joysticks
  - Sensors
- **High speed trains**
  - Electromechanical tilting systems for high-speed trains

Sales by Motion Control to its largest customer in 2007, 2006, and 2005 accounted for 10% of Motion Control revenue and 4% of our consolidated revenue for each year. The loss of this customer would have a material adverse effect on Motion Control. Direct and end use sales of this segment to government agencies, primarily the U.S. Government, in 2007, 2006, and 2005 accounted for 62%, 63%, and 64%, respectively, of total Motion Control sales. Although the loss of this business would also have a material adverse affect on Motion Control, no single prime contractor to the U.S. Government to which we are a subcontractor provided greater than 10% of Motion Control revenue during any of the last three years.

Backlog for our Motion Control segment at December 31, 2007, was $525.8 million, of which 27% is expected to be shipped after one year, compared with $438.6 million at December 31, 2006. None of the businesses of our Motion Control segment is materially seasonal. Raw materials are generally available in adequate quantities from a number of suppliers. However, we utilize sole source suppliers in this segment. Thus, the failure and/or inability of a sole source supplier to provide product to Motion Control could have an adverse impact on our financial performance. While alternatives could be identified to replace a sole source supplier, a transition could result in increased costs and manufacturing delays.

Metal Treatment

Our Metal Treatment segment provides various metallurgical processes that enhance the service life, strength, and durability of highly stressed, critical-function metal parts. Metal Treatment s portfolio of services includes shot peening, laser peening, heat treating, and specialty coatings for a broad customer base in high-performance markets, including commercial aerospace, automotive, defense, oil and gas, power generation, and general industrial. We have the expertise to provide metal treatments on a broad range of metals, including aluminum, titanium, steel, and nickel alloys.

This segment is organized into four principal services: shot peening, laser peening, specialty coatings, and heat treating.

Shot peening is a process by which the durability of metal parts is enhanced by bombarding the surface with spherical media, such as steel shot or ceramic or glass beads, to compress the outer layer of the metal. The compressive layer reduces metal fatigue, cracking, and corrosion, which enhances the durability and reliability of critical metal components. This process is particularly useful on highly-stressed components such as aircraft landing gear cylinders, rotating turbine engine airfoils, automotive suspension and transmission parts, oilfield drilling equipment, critical fasteners, and welded structural supports. In addition, shot peen forming is also used to shape the aerodynamic curvatures of the wing skins of numerous commercial, military, and business aircraft.

We are the world's leading provider of outsourced shot peening services with 39 shot peening facilities operating in the United States, Canada, and Western Europe. While we compete on a local market basis with independent and in-house shops, we believe our success is due to our reputation for quality, service, pricing, and technical expertise. We have a total customer base in excess of 5,000 companies, and our shot peening revenue in 2007, 2006, and 2005 accounted for 9%, 10%, and 10%, respectively, of our consolidated revenues.

The laser peening process imparts a beneficial layer of compressive stress which is four times deeper than that attainable from conventional surface treatment processes. This process was developed by working with Lawrence Livermore National Laboratory in modifying one of their unique high powered lasers. The first commercial use of Metal Treatment's laser peening process was in 2002. Currently, the laser peening process is being used in production to extend the life of critical flight and steam turbine engine components. While still in its introductory phase of research and qualification for many other applications, this technology has demonstrated its ability to extend the service life of high value critical components, and it is proving to be a complementary service to shot peening. Future potential applications include aircraft structural components, competitive racing components, power generation equipment, oil and gas drilling, and medical equipment. Laser peening also shows potential to augment the Metal Treatment's wing skin forming capabilities, allowing for placement of more extreme aerodynamic curvatures to wing skins of greater thickness.

We operate nine lasers in the United States and the United Kingdom and are the world's leading technology and service provider of laser peening services. We retain the exclusive worldwide rights to the intellectual property necessary for using our unique laser architecture for laser peening of commercial products. Currently, the patents associated with the laser peening technology are not material to the protection of our existing business. However, because we believe that this technology has significant potential these patents may become material to protection of our future operations.

Specialty coatings primarily consist of the application of solid film lubricants for sliding wear and anti-seizing resistance and zinc corrosion-resistant coatings. We apply a portfolio of OEM specified and proprietary coatings for a broad variety of applications which include fasteners, latches, pins, stampings, brake rotors, ball studs, medical devices, and miscellaneous industrial parts. Our high-performance coatings are applied by air spray or by the dip/spin process. Primary markets include automotive/transportation, commercial aerospace, and defense. We operate ten specialty coatings facilities which compete primarily with small business and regional applicators.

Heat treating is a precision thermal process which subjects metal objects to extreme heat and/or cold temperatures to improve their overall strength, ductility, and hardness. Primary markets include automotive/transportation, construction, commercial aerospace, oil and gas, power generation, and defense. We operate nine heat treating facilities which compete with independent and captive in-house heat treaters. Heat treating sales are highly dependent on the general industrial economy, and profitability is subject to energy prices. We believe our success in this business is based on our standardized processing methods, appropriate industry quality approvals, and reputation for service.

Other processing services provided by the Metal Treatment segment include wet finishing and chemical milling of aluminum components and manufacture of reed valves.

The following list defines our principle products and the markets served by the Metal Treatment segment.

Commercial Aerospace

- **Shot peen forming**
  - Wing skins
- **Shot peening**
  - Aircraft structural components
  - Landing gear components
  - Turbine engine rotating components
- **Laser peening**
  - Turbine engine rotating components
- **Coatings**
  - Fasteners
  - Sliding components
- **Heat treating**
  - Aluminum structural components

Automotive

- **Shot peening**
  - Engine and transmission components
- **Heat treating**
  - Miscellaneous engine, transmission, and structural components
- **Coatings**
  - Fasteners
  - Brake and suspension components
  - Sliding components

General Industrial

- **Shot peening**
  - Highly stressed metal components susceptible to fatigue
  - Welded components subject to distortion
  - Architectural structures
- **Laser peening**
  - Industrial and steam turbine components
- **Heat treating**
  - Miscellaneous aluminum and steel components
- **Coatings**
  - Fasteners
  - Miscellaneous components subject to corrosion and sliding wear

Through a combination of acquisitions and new plant openings, we continue to increase Metal Treatment's network of regional facilities. Metal Treatment operations are now conducted from 61 facilities located in the United States, Belgium, Canada, the United Kingdom, France, Germany, Italy, Spain, and Sweden. Our Metal Treatment services are marketed by exhibiting at industry trade shows, using print and web advertising, and direct selling by local sales personnel. Although numerous companies can provide metal treatment services and some customers have in-house resources to perform such services themselves, we believe that the combination of our OEM and quality approvals, technical knowledge, efficient operations, and service provide us with a competitive advantage.

The business of this segment is not materially seasonal. Raw materials are generally available in adequate quantities from a number of suppliers, and we are not materially dependent upon any single source of supply in this segment. We have no significant working capital requirements outside of normal industry accounts receivable and inventory turnover. Our largest customer in this segment accounted for 9%, 9%, and 10% of Metal Treatment sales during 2007, 2006, and 2005, respectively. Although the active customer base is in excess of 5,000, the loss of this customer would have a material adverse effect on our Metal Treatment segment.

The backlog of Metal Treatment as of December 31, 2007, was $2.3 million, all of which is expected to be recognized in the first quarter of 2008, compared with $2.1 million as of December 31, 2006. Due to the nature of our metal treatment services, we operate with a very limited backlog of orders and services that are provided primarily on newly manufactured parts. Thus, the backlog of this segment is not indicative of our future sales. This segment's sales and profitability are closely aligned with general industrial economic conditions and, in particular, the commercial aerospace market.

OTHER INFORMATION

Certain Financial Information

For information regarding sales by geographic region, see Note 16 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

In 2007, 2006, and 2005, our foreign operations generated 42%, 37%, and 35%, respectively, of our pre-tax earnings. We do not regard the risks associated with these foreign operations to be materially greater than those applicable to our U.S. businesses.

Government Sales

Our direct sales to the U.S. Government and sales for U.S. Government and foreign government end use represented 38%, 45%, and 48% of consolidated revenue during 2007, 2006, and 2005, respectively. U.S. Government sales, both direct and indirect, are generally made under standard types of government contracts, including fixed price, fixed price-redeterminable, and cost plus.

In accordance with normal practice in the case of U.S. Government business, contracts and orders are subject to partial or complete termination at any time, at the option of the customer. In the event of a termination for convenience by the government, there generally are provisions for recovery by us of our allowable incurred costs and a proportionate share of the profit or fee on the work completed, consistent with regulations of the U.S. Government. Fixed-price redeterminable contracts, generally on naval programs, usually provide that we absorb the majority of any cost overrun. In the event that there is a cost underrun, the customer recoups a portion of the underrun based upon a formula in which the customer□s portion increases as the underrun exceeds certain established levels.

Generally, long-term contracts with the U.S. Government require us to invest in and carry significant levels of inventoriable costs. However, where allowable, we utilize progress payments and other interim billing practices on nearly all of these contracts, thus reducing the overall working capital requirements. It is our policy to seek customary progress payments on certain of our contracts. Where we obtain such payments under U.S. Government prime contracts or subcontracts, the U.S. Government has either title to or a secured interest in the materials and work in process allocable or chargeable to the respective contracts. (See Notes 1.F, 3, and 4 to the Consolidated Financial Statements, contained in Part II, Item 8, of this Annual Report on Form 10-K). In the case of most Motion Control and Flow Control segment products for U.S. Government end use, the contracts typically provide for the retention by the customer of stipulated percentages of the contract price, pending completion of contract closeout conditions.

Patents

We own and are licensed under a number of United States and foreign patents and patent applications, which have been obtained or filed over a period of years. We also license intellectual property to and from third parties. Specifically, the U.S. Government has licenses in our patents that are developed in performance of government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes. Additionally, unpatented research, development, and engineering skills, some of which have been acquired by us through business acquisitions, make an important contribution to our business. While our intellectual property rights in the aggregate are important to the operation of our business, we do not consider the successful conduct of our business or business segments to be materially dependent upon the protection of any one of the patents, patent applications, or patent license agreements under which we now operate.

Research and Development

We conduct research and development activities under customer-sponsored contracts, shared development contracts, and our own independent research and development activities. Customer-sponsored research and development costs are charged to costs of goods sold when the associated revenue has been recognized. Funds received under shared development contracts are a reduction of the total development expenditures under the shared contract and are shown net as research and development costs. Corporation-sponsored research and development costs are charged to expense when incurred. Customer-sponsored research and development activity amounted to $45.0 million, $35.7 million, and $28.3 million, in 2007, 2006, and 2005, respectively, and

were attributed to customers within our Flow

Control and Motion Control segments. Research and development expenses incurred by us amounted to $47.9 million in 2007 as compared with $38.8 million in 2006 and $39.7 million in 2005.

Environmental Protection

We are subject to federal, state, local, and foreign laws, regulations, and ordinances that govern activities or operations that may have adverse environmental effects, such as discharges to air and water. These laws, regulations, and ordinances may also apply to handling and disposal practices for solid and hazardous waste and impose liability for the costs of cleaning up and for certain damages resulting from sites of past spills, disposals, or other releases of hazardous substances.

At various times, we have been identified as a potentially responsible party pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), and analogous state environmental laws, for the cleanup of contamination resulting from past disposals of hazardous wastes at certain sites to which we, among others, sent wastes in the past. CERCLA requires potentially responsible persons to pay for cleanup of sites from which there has been a release or threatened release of hazardous substances. Courts have interpreted CERCLA to impose strict joint and several liability on all persons liable for cleanup costs. As a practical matter, however, at sites where there are multiple potentially responsible persons, the costs of cleanup typically are allocated among the parties according to a volumetric or other standard.

Information concerning our specific environmental liabilities is described in Notes 1.N and 13 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

Executive Officers

Martin R. Benante, age 55, has served as the Chairman of the Board of Directors and Chief Executive Officer of the Corporation since April 2000. He has been a Director of the Corporation since 1999.

B. Parker Miller III, age 62, has served as Senior Vice President Government Relations of the Corporation since June 2005 and was elected an officer of the Corporation in February 2006; Director of Business and Strategic Development, Northrop Grumman from January 2005 to June 2005; Director of Business and Strategic Development, Unmanned Systems Group, Integrated Systems Sector, Northrop Grumman from June 2003 to January 2005; Manager, Legislative Affairs, Northrop Grumman from January 1997 to June 2003. In February 1994, after 25 years of service Mr. Miller retired from the Marine Corps with the rank of Colonel.

Edward Bloom, age 66, has served as Vice President of the Corporation and President of Metal Improvement Company, LLC since June 2002.

David J. Linton, age 52, has served as Vice President of the Corporation and President of Curtiss-Wright Flow Control Corporation since May 2004; Vice President of Program Management, Raytheon Network Centric Systems from November 2003 to April 2004; Chief Executive Officer, Cordiem, Inc. from April 2001 to March 2002; Vice President and General Manager of Electric Systems, Hamilton Sundstrand Corporation, June 1998 to April 2001.

David C. Adams, age 53, has served as Vice President of the Corporation since November 2005, and President of Curtiss-Wright Controls since June, 2005; Senior Vice President, Electronic Systems of Curtiss-Wright Controls from February 2004 to June 2005; Group Vice President, Integrated Sensing from April 2002 to February 2004.

Glenn E. Tynan, age 49, has served as Vice President of Finance and Chief Financial Officer of the Corporation since June 2002; Controller of the Corporation from June 2000 to May 2002.

Michael J. Denton, age 52, has served as Vice President, Secretary, and General Counsel of the Corporation since August 2001.

Kevin McClurg, age 44, has served as Vice President of the Corporation since May 2007 and as the Corporate Controller since September 2002; Assistant Controller from February 2002 to September 2002.

Harry Jakubowitz, age 55, has served as Vice President of the Corporation since May 2007 and as Treasurer of the Corporation since September 2005; Director of Taxes of the Corporation from June 2002 to September 2005.

Employees

At the end of 2007 we had 7,500 employees, approximately 9% of which are represented by labor unions and covered by collective bargaining agreements.

Available information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statements for our annual stockholders meetings, as well as any amendments to those reports, with the Securities and Exchange Commission (SEC). The public may read and copy any of our materials filed with the SEC at the SECs Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including our filings. These reports are also available free of charge through our web site at *www.curtisswright.com* as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC.

Item 1A. Risk Factors.

You should carefully consider the risks described below and other information in this Annual Report on Form 10-K. Our business, financial condition, and results of operations could be materially and adversely impacted if any of these risks materialize. Additional risk factors not currently known to us or that we believe are immaterial also may impair our business, financial condition, and results of operations. The trading price of our common stock may also decline as a result of these risks.

A substantial portion of our revenues and earnings depends upon the continued willingness of the U.S. Government and our other customers in the defense industry to buy our products and services.

In 2007, approximately 40% of our revenues were derived from or related to defense programs, with approximately 18% attributable to U.S. Navy procurements. U.S. defense spending has historically been cyclical, and defense budgets rise when perceived threats to national security increase the level of concern over the countrys safety. At other times, spending on the military can decrease. While Department of Defense funding has grown rapidly over the past few years, there is no assurance this trend will continue. Competing demands for federal funds can put pressure on all areas of discretionary spending, which could ultimately impact the defense budget. A decrease in U.S. government defense spending or changes in spending allocation could result in one or more of our programs being reduced, delayed, or terminated. Reductions in defense industry spending may or may not have an adverse effect on programs for which we provide products and services. In the event expenditures are reduced for products we manufacture or services we provide and are not offset by revenues from foreign sales, new programs, or products or services that we currently manufacture or provide, we may experience a reduction in our revenues and earnings and a material adverse effect on our business, financial condition, and results of operations. Further, there can be no assurance that our significant customers will continue to buy our products and services at current or increased levels.

As a U.S. Government contractor, we are subject to a number of procurement rules and regulations.

We must comply with and are affected by laws and regulations relating to the award, administration, and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of our contracts or debarment from bidding on contracts. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by government agencies. The failure to comply with the terms of our government contracts could harm our business reputation. It could also result in our progress payments being withheld.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and, in general, subcontracts, at its convenience, as well as for default based on performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for

work-in-process and an

allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a cost reimbursement contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Such allowable costs would include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation.

A termination arising out