CURTISS WRIGHT CORP
Form 10-K
February 25, 2011

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, 2010
or
o 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 | 13-0612970 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 10 Waterview Blvd. Parsippany, NJ | 07054 |
| (Address of principal executive offices) | (Zip Code) |

Registrant s telephone number, including area code: (973) 541-3700

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 o

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 o 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 o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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. o

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 o |
| Non-accelerated filer o | (Do not check if a smaller reporting company) | Smaller reporting company o |

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2010 was approximately $1.3 billion.

The number of shares outstanding of each of the Registrant s classes of Common stock as of January 31, 2011:

| Class | Number of shares |
|---|---|
| Common stock, par value $1 per share | 46,315,608 |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of the Registrant with respect to the 2011 Annual Meeting of Stockholders to be held on May 6, 2011 are incorporated by reference into Part III of this Form 10-K.

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**PART I**

FORWARD-LOOKING STATEMENTS

Except for historical information, this Annual Report on Form 10-K may be deemed to contain forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (a) projections of or statements regarding return on investment, future earnings, interest income, sales, volume, 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 statements can be identified by the use of forward-looking terminology such as anticipates, believes, continue, could, estimate, expects, intend, outlook, potential, predict, should, will, as well as the negative of any of the foregoing or variations of such terms or comparable terminolog by discussion of strategy. No assurance may be given that the future results described by the forward-looking statements will be achieved. While we believe these forward-looking statements are reasonable, they are only predictions and are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, which could cause actual results, performance or achievement to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission. Such forward-looking 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.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date they were made, and we assume no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

**Item 1.** ***Business.***

BUSINESS DESCRIPTION

Curtiss-Wright Corporation is a diversified, multinational provider of highly engineered, technologically advanced products and services. We are the corporate descendants of the Wright brothers and Mr. Glenn Curtiss, the father of naval aviation. In 1929, the companies founded by these three great aviation pioneers merged to form the largest aircraft company at the time, Curtiss-Wright Corporation. Today, we design and manufacture highly engineered, advanced technologies that perform critical functions in demanding conditions in the defense, power generation, oil and gas, commercial aerospace, and general industrial markets, where performance and reliability are essential. The Company is incorporated under the laws of the State of Delaware.

Our strategy is to maintain a balanced portfolio to consistently grow sales and profitability by utilizing our technical capabilities to maintain and expand our leading niche market positions with highly engineered products and services. As a result of our strategy, we have achieved this balance with revenues generated from defense, power generation, oil and gas, commercial aerospace, and general industrial markets. In addition, to maintain a diversified business portfolio, we also continue to develop new core competencies, such as electronic technologies. 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, particularly in embedding computing and electronic systems. We intend to continue to execute our growth strategy which focuses on diversification in complementary markets that demand high performance and highly engineered products and services.

Our core competence is providing advanced technologies for customers operating in harsh environments. In addition to meeting demanding performance requirements, our technologies are intended to improve worker safety, minimize impact on the environment, and improve operating efficiency. We compete 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 is challenged by price pressure, environmental impact, and geopolitical events, such as the global war on terrorism and diplomatic accords. Our ability to provide high-performance, advanced technologies on a cost-effective basis is fundamental to our strategy for meeting customer demand.

**Business Segments**

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 in New York, North Carolina, and Pennsylvania, and internationally in Canada and the United Kingdom.

**Flow Control**

Our Flow Control segment primarily designs, manufactures, and distributes highly engineered, critical-function products including valves, pumps, motors, generators, instrumentation, shipboard systems, and control electronics. These products manage the flow of liquids and gases, generate power, provide electronic operating systems, and monitor or provide critical functions. In 2010, net sales in our Flow Control segment of $1,025 million represented 54% of our total net sales.

This segment s primary markets are naval defense, power generation, oil and gas, and general industrial.

In the naval defense market, we are a supplier to the U.S. Navy for a wide array of ship building programs including the nuclear aircraft carrier and submarine programs, offering power and propulsion technologies, instrumentation and control systems, auxiliary systems, and shipborne aircraft and helicopter landing systems. Government sales, primarily to the U.S. Navy as a subcontractor, comprised 34%, 30%, and 26% of segment sales in 2010, 2009, and 2008, respectively.

The Flow Control segment operates through four operating divisions: Electro-Mechanical Systems, Nuclear Group, Oil & Gas Systems, and Marine & Power Products. The segment has a global customer base with principal manufacturing operations in the United States, Canada, and the United Kingdom.

**Electro-Mechanical Systems**

Our Electro-Mechanical Systems division produces advanced electro-mechanical and pumping solutions for the naval defense, power generation, oil and gas, and other general industrial markets. The division designs and manufactures advanced critical function pumps, motors, generators, ship propulsors, mechanical seals, control rod drive mechanisms, power conditioning

electronics, pulse power supplies, integrated motor controls, composite materials applications, and protection technologies solutions.

This division develops, designs, manufactures, and performs qualification testing of critical-function, electro-mechanical solutions for its primary customer, the U.S. Navy, including main coolant pumps, various other critical-function pumps, extremely power-dense compact motors, main and ship service generators, secondary propulsion systems, and design engineering and testing services. The division has served the U.S. Navy for over 60 years and is a supplier or sole source provider of pumps that are used in the nuclear propulsion system. The division also overhauls and provides critical spares for units serving the fleet on operational platforms. Current platforms include the Nimitz and Ford class aircraft carriers and the Virginia, Los Angeles, Seawolf, and Ohio class submarines. We have also received funding for component development on the next generation Ohio class submarine program.

In addition, the division provides propulsion motors and main generators to the non-nuclear U.S. Navy, including the DDG 1000 destroyer program. We are strengthening our relationship with the U.S. Navy by participating in the design and development of major subsystems for the U.S. Navy s Electro-Mechanical Aircraft Launch System ( EMALS ), Advanced Arresting Gear ( AAG ) aircraft retrieval system for installation on its future aircraft carrier fleet, and the advanced propulsion, pump and motor designs for the next generation submarine fleet. Electro-Mechanical Systems products are also sold to complementary commercial markets, primarily nuclear power generation and oil and gas. We have been a supplier to the nuclear power market since its inception more than 50 years ago. We provide reactor coolant pumps, pump seals, and control rod drive mechanisms for commercial nuclear power plants. In 2008, we announced our first award for reactor coolant pumps for four new AP1000 nuclear power plants to be built in China. In 2009, we announced our first domestic new construction contract for three Westinghouse AP1000 power plants to be built in the United States. In the oil and gas market, we are utilizing our canned motor and pumping system expertise to partner 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 also offers hazardous waste pumps for the Department of Energy ( DoE ) and in-line pumps for the hydrocarbon processing industry.

In the general industrial market, we design, develop, and manufacture integrated motor-controls and protection technology solutions for original equipment manufacturers ( OEMs ) and industrial customers. We engineer and manufacture 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, our installed base of over 100,000 control units with hundreds of custom designed systems supports customers in the industrial heating, ventilation, and air conditioning ( HVAC ) market, as well as in the municipal services and energy processing markets, including petrochemicals, power generation, mining, and transportation.

**Nuclear Group**

The Nuclear Group division designs, manufactures, distributes, and qualifies flow control products for nuclear power plants, nuclear equipment manufacturers, hydroelectric energy producers, the DoE, and the Department of Defense ( DoD ). This division offers a wide range of critical hardware, including pumps, valves, pressure vessels, fastening systems, specialized containment doors, airlock hatches, electrical units, bolting solutions, nuclear storage solutions, machined products, and enterprise resource planning, as well as plant process controls, including electrical instrumentation, specialty hardware, and proprietary database solutions aimed at improving safety and plant performance, efficiency, reliability, and reducing costs. In addition, the division provides distribution and servicing of OEM components and spare parts, training, on-site services, staff augmentation, and engineering programs relating to nuclear power plants. We provide diagnostic equipment, consulting, inspection, and testing services that support plant-life extensions and power upgrades on 104 operating reactors in the United States, as well as operating reactors located throughout the world.

We maintain all of the regulatory certifications required to provide representations and certification and/or qualify value-added nuclear-grade products both domestically and internationally. We compete in this market through an expanded array of nuclear technology, industry-benchmarked quality assurance programs, strategic alliances, resident expertise, and customer recognition for our long-term service commitment to solving the unique challenges of the nuclear market.

**Oil & Gas Systems**

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, relief valves, pressure

protection systems, engineering design tools for chemical refining and process industries, and web-enabled control systems for refinery monitoring and process control.

Our coke deheading system, which includes top and bottom unheading valves, isolation valves, cutting tools, and valve automation, process control, and protection systems, enables safer coke drum operation during the refining process. Included in this portfolio of products is the DeltaGuard® coke-drum unheading valve, an 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.

We also offer a delayed coker operations optimization system featuring process control, interlocks, valve control solutions, batch process data acquisition, interactive operator batch sequence procedures, batch scheduler, batch sequence editor, risk management, asset protection, and predictive maintenance capabilities.

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 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.

Our Farris safety relief valve and pressure protection system portfolio incorporates a broad range of valve sizes and ratings used in a wide range of chemical and process industry applications. The valves are marketed as individual components or at the subsystem/system level, with a global service and support network of Farris Authorized Service Team centers. The proprietary Farris iPRSM® provides a broad set of design and monitoring tools for process operators, incorporating the latest industry and regulatory standards.

In addition, we provide inspection, installation, repair and maintenance, and other field services for harsh environment flow control systems. Competition is mitigated by our technical expertise, proven technology, and extraordinary service.

We recently expanded our capabilities in the oil and gas market with the expansion of our Houston operations to include a state-of-the-art manufacturing facility to be used to build large thick-walled vessels (such as coke drums, fractionators, fluid catalytic cracking units and hydrotreaters) for the refining, chemical, and nuclear power industries.

**Marine & Power Products**

Our Marine & Power Products division produces high-performance, specialized valve solutions, designs and manufactures electro-mechanical systems, and develops, manufactures, and services specialized electronic instrumentation and control equipment.

Our valve solutions control the flow of liquids and gases for vessels, and equipment for the defense, power generation, and general industrial markets. We design, engineer, and manufacture spring-loaded, pilot-operated pressure relief valves and solenoid operated valves, as well as ball valves used in standard and advanced applications, including high-cycle, high-pressure, extreme temperature, and corrosive plant environments. Our products are highly engineered to meet stringent performance and reliability requirements. We provide engineering support, testing, repair, and consulting services globally.

Our valves are utilized in the nuclear propulsion system of virtually every nuclear submarine and aircraft carrier commissioned by the U.S. Navy. Current programs include the Virginia class submarine and Ford class aircraft carriers. In addition, we provide spares and repair work for various submarine classes, such as Los Angeles and Ohio, as well as the Nimitz class aircraft carriers.

In commercial markets, we provide specialized valves to commercial nuclear power plants and general processing industries worldwide. Competition is based upon quality of technology, price, installed base, and delivery times.

The Marine & Power Products division designs and manufactures electro-mechanical systems for securing and traversing helicopters aboard naval vessels. These shipboard helicopter handling systems are used by the U.S. Navy, U.S. Coast Guard and more than ten other navies around the world. In support of embarking helicopters onboard naval ships, we also produce aviation lighting and guidance systems and in-deck tie-downs and tracks. We also design and build shipboard specialized

structures, including telescopic hangars and doors. Specialized cable handling systems are designed and manufactured for towing active and passive sonar systems for both submarines and surface ships. For commercial markets, we provide specialized 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 include hydraulic power units and components primarily for the automotive and entertainment industries, specialty hydraulic valves, air-driven pumps, gas boosters, and directional control valves used in industrial applications such as car transport carriers. Competition is based upon quality of technology, price, installed base, and delivery times.

The Marine & Power Products division also develops, manufactures, tests, and services specialized electronic instrumentation and control equipment, including 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. Navy. It also provides advanced valve controllers and predictive maintenance systems for the oil and gas and general industrial market. There is strong competition in the COTS market, but competition is limited by significant qualification and performance requirements. The division also provides engineering and support services.

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

**Naval Defense**

- **Nuclear propulsion system components**
  - Valves (globe, gate, control, safety, relief, solenoid, hydraulic operated gate)
  - Pumps
  - Motors and generators
  - Instrumentation and controls
- **Instrumentation and control systems**
- **Aircraft carrier launch and retrieval equipment**
  - Advanced electromagnetic systems
  - Flight critical components (aircraft shuttle components, holdback bars, capacity selector valves)
- **Submarines**
  - Cable handling systems for towed arrays
  - Sub-safe ball valves
- **Surface ships**
  - Helicopter handling and traverse systems
  - Tie-down components
  - Valve actuation and control systems
- **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

**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 vessel**s
  - Cat cracking 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

**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 and 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**
**Spent fuel management technologies**
**Equipment reliability services and software**
**Engineering services**
**Equipment qualification, commercial grade dedication**
**Inventory management systems**

**General Industrial**
**Valves**
Directional control and pneumatic
**Power Control Systems**
Integrated motor-control systems
Variable frequency drives
Pump control panels
Low voltage solid state starters
Medium voltage controls
Protective technology solutions
**Critical machinery fault detection and prognostics systems**

*Customer Concentration and Backlog*

Backlog for this segment at December 31, 2010, was $1,149 million, of which 48% ($552 million) is expected to be shipped after one year, compared with backlog of $1,182 million at December 31, 2009. Sales to this segment s largest customer represented approximately 10%, 13%, and 11% of this segment s sales in 2010, 2009, and 2008, respectively. Additionally, sales to our largest naval defense customer accounted for 10%, 11%, and 10% of this segment s net sales in 2010, 2009, and 2008. The loss of these customers would have a material adverse effect on the business of this segment and the combined loss of these customers would have a material adverse effect on the Corporation.

**Motion Control**

Our Motion Control segment designs, develops, manufactures and maintains sophisticated, high-performance mechanical actuation and drive systems, specialized sensors, motors, and electronic controller units, and mission-critical embedded computing components and control systems. In 2010, net sales in our Motion Control segment of $647 million represented 34% of our total net sales.

This segment s primary markets are ground defense, aerospace defense, commercial aerospace, and general industrial.

Our Motion Control segment is managed through three operating divisions: Flight Systems, Integrated Sensing, and Embedded Computing. The segment has a global customer base with principal manufacturing operations throughout the United States, Canada, and Europe.

**Flight Systems**

Our Flight Systems division s product offerings to the commercial and aerospace defense markets consist of electromechanical and hydro-mechanical actuation control components and systems that are designed to position aircraft control surfaces or operate flaps, slats, and utility systems such as canopies, cargo doors, weapons bay doors, or other moving devices used on aircraft. Aircraft applications include actuators and electro-mechanical control systems for the Boeing 737, 747, 747-8, 767, 777, 787 civil air transports, the Lockheed Martin F-16 Falcon fighter jet, the Boeing F/A-18 Hornet fighter jet, the F-22 Raptor fighter jet, the P-8 Poseidon, the Bell Boeing V-22 Osprey, and the Sikorsky Black Hawk and Seahawk helicopters. The Flight Systems division is also developing flight control actuators and weapons handling systems for Lockheed Martin s F-35 Lightning II Joint Strike Fighter ( F-35 JSF ) program. The F-35 JSF is the next-generation fighter aircraft being designed for use by all three branches of the U.S. military as well as by several foreign governments. The F-22 Raptor is nearing the end of its production life and is expected to be completed in 2011. This division also provides commercial airlines, the military and general aviation customers with component overhaul and repair of hydraulic, mechanical, and electro-mechanical components and component exchange services for a wide array of aircraft.

Flight Systems also designs, manufactures, and distributes electro-mechanical and electro-hydraulic actuation components and systems and electronic controls for military tracked and wheeled vehicles within the ground defense market as well as for commercial markets utilizing drive technology. These products consist of turret aiming and stabilization, weapons handling systems, and suspension systems for armored military vehicles. In addition, we provide a range of general industrial products, such as fuel control valves for large commercial transport ships, stabilization systems, and a variety of commercial servo valves.

Flight Systems products are sold primarily through a direct domestic sales force and international network of independent sales representatives. Sales are made directly to OEMs, airlines, and government agencies.

Our Flight 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 is focused on a short list of companies, with 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 investment are the primary forces of competition, together with an ability to offer solutions to perform control and actuation functions on new production programs.

**Integrated Sensing**

Our Integrated Sensing division develops and manufactures a range of sensors, controllers, and electronic control units for commercial, aerospace defense, and general industrial markets. These products include position, pressure, and temperature sensors, solenoids and solenoid valves, cooling fans and motors, smoke detection sensors, torque sensing, ice detection and protection equipment, air data computers, flight data recorders, joysticks, and electronic signal conditioning and control equipment. The division also provides electric motors with controllers, rotary sensors, controllers, and smaller electromechanical actuation subsystems for flight, engine, and environmental control for aircraft and space applications. This division s products are sold 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, most notably for the Airbus A320 single-aisle aircraft, as well as regional and business aircraft, and on many U.S. and European military aircraft. Air data, flight recorder, and ice detection and protection equipment are supplied to many helicopter applications, including the Apache, Blackhawk, Stallion, and Chinook platforms. We also sell our products for use in a wide range of industrial applications such as off-highway vehicles, powered mobility vehicles, process controls, and motorsports.

In 2010, the Integrated Sensing division acquired Specialist Electronics Services, Ltd. ( SES ), which designs and manufactures rugged and security encrypted data recorders and media, processors, control display units, and software for aerospace and defense applications. Key platforms include fixed-wing, rotary-wing and unmanned aircraft, tactical vehicles, and naval vessels. Proprietary technologies include high integrity mission computing, engine monitoring, multi-channel video

and data mission recording, rugged and extreme environmental computing, and software for synchronous data replay and analysis.

Competitive differentiators for Integrating Sensing include technical leadership and support, product price, and customer service. For that reason Integrated Sensing products are marketed through facilities in the United Kingdom, Germany, and the United States, and manufacturing facilities have been established in Mexico and China.

**Embedded Computing**

Our Embedded Computing division designs, develops, and manufactures rugged embedded computing board-level modules and integrated subsystems, primarily for the aerospace and ground defense markets, and supports the U.S. government s increased focus on Intelligence, Surveillance, and Reconnaissance ( ISR ) applications. Using standard, commercially available electronics technologies, coupled with application-domain specific knowledge, we offer COTS hardware and software modules based on open industry standards. We also offer high performance electronic packaging and thermal management systems using custom and standards-based enclosures.

Our advanced subsystems are integrated using standard modules and custom modules based on in-house intellectual property content as well as third-party technology. We also offer a broad array of support services that include life-cycle management, technical support, training, and custom engineering of modules and fully integrated subsystems. We are a single source supplier for high density radar processing, data communications, digital signal processing, video and graphics, recording and network storage, analog acquisition and reconstruction, radar, and integrated subsystems. Our COTS modules and integrated subsystems are designed to perform in harsh conditions where space, weight, and power constraints are critical. Our rugged products perform in extreme temperatures and environments, enduring 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 applications for military ground vehicles, including fire control, aiming, and stabilization, munitions loading, and environmental processors. These products are used on demanding combat platforms such as the Bradley Fighting Vehicle, the Abrams Tank, and the Stryker family of vehicles, which are all part of the U.S. Army s modernization and transformation efforts. Our modules, which feature high performance commercial processors on open standard board architectures, are used in numerous active programs, including the Improved Bradley Acquisition System and the Improved Tow Acquisition System.

The division drafts and defines embedded standards, which address the more demanding performance and data bandwidth requirements of emerging applications. Embedded Computing supplies technologically advanced military platforms including the F-22 Raptor, F-35 JSF, and P-8 Poseidon and U.S. Marine Corps Ground/Air Task Orientation Radar program.

Embedded Computing also provides the advanced mission management system, flight control computers, and the sensor management units for advanced aerospace platforms including the Global Hawk, the U.S. Air Force s high-altitude and high-endurance unmanned aerial vehicle, as well as the U.S. Navy s Broad Area Maritime Surveillance ( BAMS ) variant of the Global Hawk platform.

This division s products are manufactured at its operations located in North America and Europe. Our products are sold primarily to prime contractors and subsystem suppliers located primarily in the United States, United Kingdom, and Canada, 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 fully integrated 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 time to market.

In 2010, the Embedding Computing division expanded its system integration capabilities with the acquisition of Hybricon Corporation ( Hybricon ), which designs and manufactures custom and standards-based enclosures and electronic backplanes. Hybricon is a supplier of high performance electronic packaging for the aerospace, defense and commercial markets, and also provides electronic subsystem integration expertise. Additionally, Hybricon is a supplier of embedded COTS system architectures.

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

**Commercial Aerospace**

**Commercial Jet Transports, Business and Regional Jets**

- Secondary flight control actuation systems and electromechanical trim actuators
- Aircraft cargo door and utility actuation systems
- Fire detection and suppression control systems
- Position sensors
- Pressure sensors
- Solenoids and solenoid valves
- Throttle quadrants
- Fans and motors

**Helicopters**

- Rotor ice protection systems
- Flight data recorders
- Air data computers
- Logic control modules and utility control electronics
- Mission video displays, distribution systems, recorders and associated products

**Repair and Overhaul Services**

- Component overhaul and logistics support services

**Aerospace Defense**

**Transport and fighter aircraft**

- Weapons bay door actuation systems
- Weapons handling systems
- Secondary flight control actuation
- Rotary actuation for environmental control systems
- Video displays, recorders, and radar converters
- Position sensors
- Solenoids and solenoid valves
- Throttle quadrants
- Fans and motors

**Helicopters**

- Radar warning systems
- Acoustic processing systems
- Flight data recorders
- Air data computers
- Position sensors
- Logic control modules and utility control electronics
- Mission video displays, distribution systems, recorders and associated products

**Unmanned aerial vehicles**

- Integrated mission management and flight control computers
- Sensor management systems
- Weapons handling systems
- Position sensors

**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
- Hydro-pneumatic suspension systems
- Ammunition handling systems
- Mission computing systems
- Power management systems
- Position sensors

**Naval Defense**
- **Marine Propulsion**
  - Marine engine diesel valve injection systems

**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

*Customer Concentration and Backlog*

Sales by this segment to its largest customer accounted for 10% of its net sales in 2010, and 11% in 2009 and 2008, respectively. The loss of this customer would have a material adverse effect on the Motion Control segment. Direct and end-use sales of this segment to government agencies, primarily the U.S. Government, in 2010, 2009, and 2008, accounted for 64%, 70%, and 64%, respectively, of total Motion Control net sales. Although the loss of this business would 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 this segment at December 31, 2010, was $519 million, of which 77% ($400 million) is expected to be shipped after one year, compared with a backlog of $443 million at December 31, 2009. 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 metallurgical processing services on customer-supplied metal components to improve their strength, durability, and service life. In 2010, net sales of our Metal Treatment segment of $221 million contributed 12% to our total net sales.

This segment s primary markets are commercial and defense aerospace, oil and gas, power generation, and general industrial markets, including automotive, transportation, construction equipment, and miscellaneous metal working industries.

This segment provides four primary technical services on highly stressed, critical function metal parts: shot peening, heat treating, laser peening, and specialty coatings.

**Shot Peening**

Shot peening is a process by which the durability of metal parts is enhanced by bombarding the part s surface with spherical media, such as steel shot or ceramic or glass beads, to compress the outer layer of the metal. In addition, shot peen forming shapes metal panels with aerodynamic curvatures, which are assembled as wing skins of commercial and military aircraft. Currently, we conduct shot peen forming on wing panels and other components for Airbus, Boeing, and other aerospace OEMs.

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**Heat treating**

Heat treating is a process of exposing metal parts to precisely controlled temperature cycles to change the mechanical and metallurgical properties of the metal.

**Laser Peening**

Laser peening is an advanced metal surface treatment process that utilizes a unique high energy laser developed by the Lawrence Livermore National Laboratory and adapted for use by Metal Treatment engineers. The laser peening process is being used in production to extend the life of critical industrial and flight turbine engine components. Future applications include high value, extreme service components in aircraft structures, oil and gas, medical implant, and marine applications. We retain the exclusive worldwide rights to the intellectual property necessary for the use of this laser architecture on laser peening of commercial products.

**Specialty coatings**

Specialty coatings primarily consist of the application of solid film lubricant and corrosion resistant protective coatings to metal components used in critical applications for a broad range of industries. The coatings are applied by either an air spray or a dipping and spinning process for bulk applications. We have diversified our capabilities into the growing medical market by the addition of a vapor deposition process to apply parylene coatings to medical devices, including rubber/silicone seals and wire forming mandrels used in the manufacture of catheters. Parylene coatings provide resistance to solvents, moisture, and are biocompatible.

In addition to shot peening, laser peening, heat treating, and specialty coatings, other metal treatment services that are provided by our Metal Treatment segment include nondestructive inspection, plating, anodizing, and reed valve manufacturing.

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 65 facilities located in the United States, Canada, United Kingdom, France, Germany, Sweden, Belgium, Italy, Spain, Austria, Ireland, and China. Our Metal Treatment services are marketed directly by our employees. Although numerous companies compete in this field and many customers have the resources to perform such services themselves, we believe that our technical knowledge and quality of workmanship provide a competitive advantage. We compete in this segment on the basis of quality, service, and price.

*Customer Concentration and Backlog*

Our largest customer in this segment accounted for approximately 10% of its sales during 2010, 11% during 2009, and 9% during 2008. 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 was $2 million as of December 31, 2010 and 2009, substantially all of which is expected to be recognized in the first quarter of 2011. 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 new manufactured parts. Thus, the backlog of this segment is not indicative of our future sales, and as a result, this segment s sales and profitability are closely aligned with general industrial economic conditions and, in particular, the commercial aerospace market.

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
- **Heat Treating**
  - Aluminum structural components
- **Laser peening**
  - Turbine engine rotating components
- **Coatings**

Fasteners
Sliding components
Silicone/rubber medical components

**General Industrial**

**Shot Peening**

Highly stressed metal components susceptible to fatigue
Welded components subject to distortion
Architectural structures
Engine and transmission components

**Heat Treating**

Miscellaneous engine, transmission, and structural components
Miscellaneous aluminum and steel components

**Coatings**

Fasteners
Brake and suspension components
Sliding components
Miscellaneous components subject to corrosion and sliding wear

**Defense**

**Shot Peening**

Helicopter and fighter aircraft structural and turbine engine components

OTHER INFORMATION

*Certain Financial Information*

For information regarding sales by geographic region, see Note 18 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

In 2010, 2009, and 2008, our foreign operations generated 36%, 35%, and 57%, respectively, of our pre-tax earnings.

*Government Sales*

Our direct sales to the U.S. Government and sales for U.S. Government and foreign government end use represented 41%, 42%, and 36% of consolidated revenue during 2010, 2009, and 2008, 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 fixed or award fees.

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 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 inventory. 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 timing of expiration or protection of any one or group of 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 is 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. Company-sponsored research and development costs are charged to expense when incurred. Customer-sponsored research and development activity amounted to $26 million, $29 million, and $32 million, in 2010, 2009, and 2008, respectively, and were attributed to customers within our Flow Control and Motion Control segments. Research and development expenses incurred by us amounted to $54 million in 2010, $55 million in 2009, and $50 million in 2008.

*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 current and former facilities and at 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 15 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 58, 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.

David J. Linton, age 55, has served as Co-Chief Operating Officer of the Corporation since November 2008 and President of Curtiss-Wright Flow Control Corporation since May 2004; prior to his promotion to Co-Chief Operating Officer Mr. Linton served as Vice President of the Corporation from 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 2003; Vice President and General Manager of Electric Systems, Hamilton Sundstrand Corporation, June 1998 to April 2001.

David C. Adams, age 56, has served as Co-Chief Operating Officer since November 2008 and prior to his promotion served as Vice President of the Corporation from November 2005 and President of Curtiss-Wright Controls from 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.

Thomas P. Quinly, age 52, has served as Vice President of the Corporation since November 2010 and President of Curtiss-Wright Controls, Inc. since November 2008; Senior Vice President, Embedded Computing of Curtiss-Wright Controls, Inc. since 2004.

Glenn E. Tynan, age 52, 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 55, has served as Vice President, Secretary, and General Counsel of the Corporation since August 2001.

Glenn G. Coleman, age 43, has served as Vice President and Corporate Controller of the Corporation since May 2008. Prior to his appointment, Mr. Coleman spent the preceding 10 years with Alcatel Lucent (formerly Lucent Technologies) in various positions, including Finance Vice President, Wireless Business Group from June 2007 to December 2007 and Finance Vice President, Americas Controller from January 2002 to May 2007.

Harry S. Jakubowitz, age 58, 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 2010, we had approximately 7,600 employees, 10% 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 SEC s 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.**

We have summarized below the significant, known material risks to our business. Our business, financial condition, and results of operations and cash flows 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 may also impair our business, financial condition, and results of operations. The risk factors below should be considered together with information included elsewhere in this Annual Report on Form 10-K as well as other required filings by us to the Securities Exchange Commission, such as our Form 10-Q s, Form 8-K s, proxy statements for our annual shareholder meetings, and subsequent amendments, if any.

*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 2010, approximately 41% of our revenues were derived from or related to defense programs, with approximately 17% attributable to U.S. Navy procurements. U.S. defense spending has historically been cyclical, and defense budgets tend to rise when perceived threats to national security increase the level of concern over the country s safety. At other times, spending by 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 work actually completed 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 normally 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 of our default could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our services as a subcontractor.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. The U.S. Government generally has the right to not exercise option periods and may not exercise an option period if the agency is not satisfied with our performance on the contract or does not receive funding to continue the program. U.S. Government procurement may adversely affect our cash flow or program profitability.

A significant reduction in the purchase of our products by the U.S. government would have a material adverse effect on our business. The risk that governmental purchases of our products may decline stems from the nature of our business with the U.S. government, where they may:

terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change;

cancel multi-year contracts and related orders if funds become unavailable; and

shift its spending priorities.

In addition, as a defense contractor, we are subject to risks in connection with government contracts, including without limitation:

the frequent need to bid on programs prior to completing the necessary design, which may result in unforeseen technological difficulties and/or cost overruns;

the difficulty in forecasting long-term costs and schedules and the potential obsolescence of products related to long-term, fixed price contracts;

contracts with varying fixed terms that may not be renewed or followed by follow-on contracts upon expiration;

cancellation of the follow-on production phase of contracts if program requirements are not met in the development phase;

the failure of a prime contractor customer to perform on a contract; and

the fact that government contract wins can be contested by other contractors.

*Our business could be adversely affected by a negative audit by the U.S. Government.*

We operate in a highly regulated environment and have been, and expect to continue to be, routinely audited by the U.S. Government and others. On a regular basis, we monitor our policies and procedures with respect to our contracts to ensure consistent application under similar terms and conditions and to assess compliance with all applicable government regulations. Negative audit findings could result in termination of a contract, forfeiture of profits, or suspension of payments. From time to time we are subject to U.S. Government investigations relating to our operations. Government contractors that are found to have violated the law, such as the False Claims Act or the Arms Export Control Act, or are indicted or convicted for violations of other federal laws, or are found not to have acted responsibly as defined by the law, may be subject to significant fines. Such convictions could also result in suspension or debarment from government contracting for some period of time. Given our dependence on government contracting, suspension or debarment could have a material adverse effect on our business.

*Our operating results are subject to fluctuations.*

Our business is subject to changes in economic cycles and fluctuations in the timing of government procurement activities. As a result, our annual and quarterly operating results may fluctuate. It is possible that our operating results may not meet the expectations of securities analysts or investors. Similarly, securities analysts may issue reports downgrading our common stock. These events could cause the market price of our common stock to decline.

*Future terror attacks, war, natural disasters, or other events beyond our control could adversely impact our businesses.*

Despite our concerted effort to minimize risk to our production capabilities and corporate information systems and to reduce the effect of unforeseen interruptions to us through business continuity planning and disaster recovery plans, terrorist attacks, war, natural disasters, such as hurricanes, floods, tornados, pandemic diseases, or other events such as strikes by a significant customer s or supplier s workforce could adversely impact demand for or supply of our products and could also cause disruption to our facilities or systems which could also interrupt operational processes and adversely impact our ability to manufacture our products and provide services and support to our customers. We operate facilities in areas of the world that are exposed to natural disasters, such as but not limited to hurricanes, floods, tornados, and pandemic diseases. For example, Hurricanes Ike and Gustav in 2008 caused disruption to the oil and gas market for our products and services. Similarly, the terrorist attacks of September 11, 2001 and subsequent terrorist attacks worldwide caused decreased demand in the commercial aerospace market for our products and commercial overhaul and repair services. Financial difficulties of our customers, delays by our customers in production of their products, high fuel prices, the concern of another major terrorist attack, and the overall decreased demand for our customers products could adversely affect our operating results and financial position.

*The success of our growth strategy is dependent upon our ability to complete acquisitions and integrate acquired businesses.*

Our strategy includes growth through acquisitions. As a result, our future growth depends in part on our ability to implement our acquisition strategy and successfully integrate acquired businesses into our existing operations. If we are unable to identify suitable candidates, negotiate appropriate acquisition terms, obtain financing, and successfully integrate acquired businesses into our existing operations, our growth strategy may not be successful. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services, and products of the acquired company, the potential loss of key employees of the acquired company, and the diversion of our management s attention from other business concerns. This is the case particularly in the fiscal quarters immediately following the completion of an acquisition since the operations of the acquired business are integrated into the acquiring businesses operations during this period. We cannot be sure that we will accurately anticipate all of the changing demands that any future acquisition may impose on our management, our operational and management information systems, and our financial systems. Once integrated, acquired operations may not achieve levels of revenue, profitability, or productivity comparable to those of our existing operations or may otherwise not perform as we expected. We may fail to discover liabilities relating to a pending acquisition during the due diligence investigation, liabilities for which we, as the successor owner, might be responsible. Although we seek to minimize the impact of potential undiscovered liabilities by structuring acquisitions to minimize liabilities and obtaining indemnities and warranties from the selling party, these methods may not fully protect us from the impact of undiscovered liabilities. For example, indemnities or warranties are often limited in scope, amount, or duration, and may not fully cover the liabilities for which they were intended. If indemnities or warranties are limited, the liabilities that are not covered by the limited indemnities or warranties could have a material adverse effect on our business and financial condition.

*We use estimates when accounting for contracts. Changes in estimates could affect our profitability and overall financial position.*

Long-term contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, assumptions have to be made regarding the length of time to complete the contract since costs also include expected increases in wages and prices for materials. Similarly, assumptions have to be made regarding the future impact of efficiency initiatives and cost reduction efforts. Incentives, awards, price escalations, or penalties related to performance on contracts are considered in estimating revenue and profit rates and are recorded when there is sufficient information to assess anticipated performance. Because of the significance of the judgments and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances, or estimates may have a material adverse effect upon future period financial reporting and performance. See Critical Accounting Estimates and Policies in Part II, Item 7.

*Our earnings and margins may vary based on the mix of our contracts and programs.*

At December 31, 2010, our backlog included both cost reimbursable and fixed-price contracts. Cost reimbursable contracts generally have lower profit margins than fixed-price contracts. Production contracts are mainly fixed-price contracts, and developmental contracts are generally cost reimbursable contracts. Our earnings and margins may vary materially depending on the types of long-term government and commercial contracts undertaken, the nature of the products produced or services performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, any costs in excess of the fixed price are generally absorbed by us. Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost-reimbursable contracts, subject to a contract-ceiling amount in certain cases, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based. However, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs and may have our fees reduced or eliminated. The failure to perform to customer expectations and contract requirements can result in reduced fees and may affect our financial performance for the affected period. Under each type of contract, if we are unable to control costs we incur in performing under the contract, our financial condition and operating results could be materially adversely affected. Cost over-runs also may adversely affect our ability to sustain existing programs and obtain future contract awards.

*Our backlog is subject to reduction and cancellation, which could negatively impact our revenues and results of operations.*

Backlog represents products or services that our customers have committed by contract to purchase from us. Backlog as of December 31, 2010 was $1.7 billion. Backlog is subject to fluctuations and is not necessarily indicative of future sales. The U.S. government may unilaterally modify or cancel its contracts. In addition, under certain of our commercial contracts, our customers may unilaterally modify or terminate their orders at any time for their convenience. Accordingly, certain portions of our backlog can be cancelled or reduced at the option of the U.S. government and commercial customers. Our failure to replace cancelled or reduced backlog could negatively impact our revenues and results of operations.

*Our future financial results could be adversely impacted by asset impairment charges.*

At December 31, 2010, we had goodwill and other intangible assets of approximately $934 million, net of accumulated amortization, which represented approximately 42% of our total assets. Our goodwill is subject to an impairment test on an annual basis and is also tested whenever events and circumstances indicate that goodwill may be impaired. Any excess goodwill resulting from the impairment test must be written off in the period of determination. Intangible assets (other than goodwill) are generally amortized over the useful life of such assets. In addition, from time to time, we may acquire or make an investment in a business that will require us to record goodwill based on the purchase price and the value of the acquired assets. We may subsequently experience unforeseen issues with such business that adversely affect the anticipated returns of the business or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for such business. Future determinations of significant write-offs of goodwill or intangible assets as a result of an impairment test or any accelerated amortization of other intangible assets could have a material adverse impact on our results of operations and financial condition.

*We operate in highly competitive markets.*

We compete against companies that often have greater sales volumes and financial, research, human, and marketing resources than we have. In addition, some of our largest customers could develop the capability to manufacture products or provide services similar to products that we manufacture or services that we provide. This would result in these customers supplying their own products or services and competing directly with us for sales of these products or services, all of which could significantly reduce our revenues. Furthermore, we are facing increased international competition and cross-border consolidation of competition. Our management believes that the principal points of competition in our markets are technology, product quality, performance, price, service, contractual terms, previous installation history, technical expertise, investment, and timeliness of delivery. If we are unable to compete successfully with existing or new competitors in these areas, our business, financial condition, and results of operations could be materially and adversely impacted.

*Our future growth and continued success is dependent upon our key personnel.*

Our success is dependent upon the efforts of our senior management personnel and our ability to attract and retain other highly qualified management and technical personnel. We face competition for management and qualified technical personnel from other companies and organizations. Therefore, we may not be able to retain our existing management and technical personnel or fill new management or technical positions or vacancies created by expansion or turnover at our existing compensation levels. Although we have entered into change of control agreements with some members of senior management, we do not have employment contracts with our key executives. We have made a concerted effort to reduce the effect of the loss of our senior management personnel through management succession planning. The loss of members of our senior management and qualified technical personnel could have a material and adverse effect on our business.

*Our international operations are subject to risks and volatility.*

During 2010, approximately 29% of our consolidated revenue was from customers outside of the United States, and we have operating facilities in foreign countries. Doing business in foreign countries is subject to numerous risks, including without limitation: political and economic instability; the uncertainty of the ability of non-U.S. customers to finance purchases; restrictive trade policies; and complying with foreign regulatory and tax requirements that are subject to change. While these factors or the impact of these factors are difficult to predict, any one or more of these factors could adversely affect our operations. To the extent that foreign sales are transacted in foreign currencies and we do not enter into currency hedge transactions, we are exposed to risk of losses due to fluctuations in foreign currency exchange rates, particularly for the Canadian dollar, the Euro, Swiss franc, and the British pound. Significant fluctuations in the value of the currencies of the countries in which we do business could have an adverse effect on our results of operations.

*We may be unable to protect the value of our intellectual property.*

Obtaining, maintaining, and enforcing our intellectual property rights and avoiding infringing on the intellectual property rights of others are important factors to the operation of our business. While we take precautionary steps to protect our technological advantages and intellectual property and rely in part on patent, trademark, trade secret, and copyright laws, we cannot assure that the precautionary steps we have taken will completely protect our intellectual property rights. Because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications, and other intellectual property relevant to our products that may block our use of our intellectual property or may be used in third-party products that compete with our products and processes. When others infringe on our intellectual property rights, the value of our products is diminished, and we may incur substantial litigation costs to enforce our rights. Similarly, we may incur substantial litigation costs and the obligation to pay royalties if others claim we infringed on their intellectual property rights. When we develop intellectual property and technologies in connection with U.S. Government contracts, the government has the royalty-free right to use that property.

In addition to our patent rights, we also rely on unpatented technology, trade secrets, and confidential information. Others may independently develop substantially equivalent information and techniques or otherwise gain access to or disclose our technology. We may not be able to protect our rights in unpatented technology, trade secrets, and confidential information effectively. We require each of our employees and consultants to execute a confidentiality agreement at the commencement of an employment or consulting relationship with us. There is no guarantee that we will succeed in obtaining and retaining executed agreements from all employees or consultants. Moreover, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, they may not provide adequate remedies.

*Our operations are subject to numerous domestic and international laws, regulations, and restrictions, and noncompliance with these laws, regulations, and restrictions could expose us to fines, penalties, suspension, or debarment, which could have a material adverse effect on our profitability and overall financial condition.*

We have contracts and operations in many parts of the world subject to United States and foreign laws and regulations, including the False Claims Act, regulations relating to import-export control (including the International Traffic in Arms Regulation promulgated under the Arms Export Control Act), technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act, and the anti-boycott provisions of the U.S. Export Administration Act. Although we have implemented policies and procedures and provided training that we believe is sufficient to address these risks, we cannot guarantee that our operations will never fail to comply with these laws and regulations. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in administrative, civil, or criminal liabilities and could, in the extreme case, result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on our business.

*We are subject to liability under environmental laws.*

Our business and facilities are subject to numerous federal, state, local, and foreign laws and regulations relating to the use, manufacture, storage, handling, and disposal of hazardous materials and other waste products. Environmental laws generally impose liability for investigation, remediation, and removal of hazardous materials and other waste products on property owners and those who dispose of materials at waste sites whether or not the waste was disposed of legally at the time in question. We are currently addressing environmental remediation at certain current and former facilities, and we have been named as a potentially responsible party along with other organizations in a number of environmental clean-up sites and may be named in connection with future sites. We are required to contribute to the costs of the investigation and remediation and to establish reserves in our financial statements for future costs deemed probable and estimable. Although we have estimated and reserved for future environmental remediation costs, the final resolution of these liabilities may significantly vary from our estimates and could potentially have an adverse effect on our results of operations and financial position.

*Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability.*

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

*Our current debt, and debt we may incur in the future, could adversely affect our business and financial position.*

As of December 31, 2010, we had $397 million of debt outstanding, of which $394 million is long-term debt. Our debt consists primarily of principal payable under our fixed rate senior notes and principal payable at a variable rate of interest under our revolving line of credit. Our level of debt could have significant consequences for our business including: requiring us to use our cash flow to pay principal and interest on our debt, reducing funds available for acquisitions and other investments in our business; making us vulnerable to economic downturns and increases in interest rates; limiting us from obtaining additional debt; and impacting our ability to pay dividends.

*A percentage of our workforce is employed under collective bargaining agreements.*

Approximately 10% of our workforce is employed under collective bargaining agreements, which from time to time are subject to renewal and negotiation. We cannot ensure that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor, or that a breakdown in such negotiations will not result in the disruption of our operations. Although we have generally enjoyed good relations with both our unionized and non-unionized employees, if we are subject to labor actions, we may experience an adverse impact on our operating results.

*Substantial defaults by our customers related to accounts receivable or the loss of significant customers could have a significant negative impact on our business, results of operations, financial condition or liquidity.*

A significant portion of our working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, our business, results of operations, financial condition or liquidity could be adversely affected. An economic or industry downturn could adversely and materially affect the

servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs, and defaults in excess of management s expectations.

*We rely on certain suppliers as a sole source of components for some of our products.*

Our manufacturing processes for our products often consist of the assembly of purchased components that are generally available from a number of different suppliers, though several suppliers are our sole source of certain components. If a sole-source supplier should cease or otherwise be unable to deliver such components, our operating results could be adversely impacted. In addition, if our suppliers are unable to keep up with our demand for purchased components and we are unable to locate additional sources of supply, our operating results could be adversely impacted.

*Our earnings and margins depend in part on subcontractor performance, as well as raw material and component availability and pricing.*

Our businesses depend on suppliers and subcontractors for raw materials and components. At times subcontractors perform services that we provide to our customers. We depend on these subcontractors and vendors to meet their contractual obligations in full compliance with customer requirements. These supply networks can sometimes experience price fluctuations. Our ability to perform our obligations as a prime contractor may be adversely affected if one or more of these suppliers are unable to provide the agreed-upon supplies or perform the agreed-upon services in a timely and cost-effective manner. While we have attempted to mitigate the effects of increased costs through price increases, there are no assurances that higher prices can effectively be passed through to our customers or that we will be able to offset fully or on a timely basis the effects of higher raw materials costs through price increases.

*Our business involves risks associated with complex manufacturing processes.*

Our manufacturing processes depend on certain sophisticated and high-value equipment. Unexpected failures of this equipment may result in production delays, revenue loss, and significant repair costs. In addition, equipment failures could result in injuries to our employees. Moreover, the competitive nature of our businesses requires us to continuously implement process changes intended to achieve product improvements and manufacturing efficiencies. These process changes may at times result in production delays, quality concerns, and increased costs. Any disruption of operations at our facilities due to equipment failures or process interruptions could have a material adverse effect on our business.

*The airline industry is heavily regulated, and if we fail to comply with applicable requirements, our results of operations could suffer.*

Governmental agencies throughout the world, including the U.S. Federal Aviation Administration, or the FAA, prescribe standards and qualification requirements for aircraft components, including virtually all commercial airline and general aviation products. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. We include, with the products that we sell to our aircraft manufacturing customers, documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness established by the FAA or the equivalent regulatory agencies in other countries. In order to sell our products, we and the products we manufacture must also be certified by our individual OEM customers. If any of the material authorizations or approvals qualifying us to supply our products is revoked or suspended, then the sale of the subject product would be prohibited by law, which would have an adverse effect on our business, financial condition, and results of operations.

From time to time, the FAA or equivalent regulatory agencies in other countries propose new regulations or changes to existing regulations, which are usually more stringent than existing regulations. If these proposed regulations are adopted and enacted, we may incur significant additional costs to achieve compliance, which could have a material adverse effect on our business, financial condition, and results of operations.

*Our future success will depend, in part, on our ability to develop new technologies.*

Virtually all of the products produced and sold by us are highly engineered and require sophisticated manufacturing and system-integration techniques and capabilities. The commercial and government markets in which we operate are characterized by rapidly changing technologies. The product and program needs of our government and commercial customers change and evolve regularly. Accordingly, our future performance depends in part on our ability to identify emerging technological trends, develop and manufacture competitive products, and bring those products to market quickly at cost-effective prices.

*If we fail to satisfy our contractual obligations or meet performance standards, our contracts may be terminated and we may incur significant costs or liabilities, including liquidated damages and penalties.*

In general, our contracts may be terminated for our failure to satisfy our contractual obligations or to meet performance standards. In addition, some of our contracts contain substantial liquidated damages provisions and financial penalties related to our failure to satisfy our contractual obligations or performance failures. Consequently, as a result of the above matters, we may incur significant costs or liabilities, including penalties, which could have a material adverse effect on our financial condition and results of our operation.

*Potential product liability risks exist from the products that we sell.*

Our businesses expose us to potential product liability risks that are inherent in the design, manufacture, and sale of our products and the products of third-party vendors that we use or resell. We currently maintain what we believe to be suitable and adequate product liability insurance. There can be no assurance, however, that we will be able to maintain our product liability insurance on acceptable terms or that our product liability insurance will provide adequate protection against potential liabilities. In the event of a claim against us, a lack of sufficient insurance coverage could have a material adverse effect on our business, financial condition, and results of operations. Moreover, even if we maintain adequate insurance, any successful claim could have a material adverse effect on our business, financial condition, results of operations, and on the ability to obtain suitable or adequate insurance.

*Increasing costs of certain employee and retiree benefits could adversely affect our results of operations.*

Our earnings may be positively or negatively impacted by the amount of income or expense we record for our pension and other postretirement benefit plans. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions relating to financial market and other economic conditions. Changes in key economic indicators can change the assumptions. The most significant year-end assumptions used to estimate pension or other postretirement benefit expense for the following year are the discount rate, the expected long-term rate of return on plan assets, expected future medical cost inflation, and expected compensation increases. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity through a reduction or increase to other comprehensive income. For a discussion regarding how our financial statements can be affected by pension and other postretirement benefit plans accounting policies, see Management s Discussion and Analysis Critical Accounting Estimates and Policies Pension and Other Postretirement Benefits in Part II, Item 7. Although GAAP expense and pension or other postretirement contributions are not directly related, the key economic factors that affect GAAP expense would also likely affect the amount of cash the company would contribute to the pension or other postretirement plans. Potential pension contributions include both mandatory amounts required under federal law, Employee Retirement Income Security Act, and discretionary contributions to improve the plans funded status.

*Our operating results and financial condition may be adversely impacted by the current worldwide economic conditions.*

We currently generate significant operating cash flows, which combined with access to the credit markets provides us with significant discretionary funding capacity. However, current uncertainty in the global economic conditions resulting from the recent disruption in credit markets poses a risk to the overall economy that could impact consumer and customer demand for our products, as well as our ability to manage normal commercial relationships with our customers, suppliers, and creditors. If the current situation deteriorates significantly, our business could be negatively impacted, including such areas as reduced demand for our products from a slow-down in the general economy or supplier or customer disruptions resulting from tighter credit markets.

*Intrusion on our systems could damage our business.*

Despite our implementation of firewalls, switchgear, and other network security measures, our servers, databases, and other systems may be vulnerable to computer hackers, physical or electronic break-ins, sabotage, computer viruses, worms and similar disruptions from unauthorized tampering with our computer systems. We will continue to review and enhance our computer systems to try to prevent unauthorized and unlawful intrusions, but in the future it is possible that we may not be able to prevent all intrusions and such intrusions could result in our network security or computer systems being compromised and possibly result in the misappropriation or corruption of proprietary or personal information or cause disruptions in our services. We might be required to expend significant capital and resources to protect against, remediate or alleviate problems caused by such intrusions. Any intrusion, and the negative publicity arising from such occurrence, could have a material adverse effect on our business, financial condition, and results of operations.

*There are risks associated with owning our common stock.*

Like any equity security, our common stock is subject to a number of risks that may adversely impact our share price including: there is a limited trading market in our common stock; we may not in the future be able to pay dividends on our common stock; we may issue common stock for acquisitions or other purposes that could be dilutive to current stockholders; and we have various anti-takeover defenses such as our rights plan and our ability to issue preferred stock that may discourage a potential acquirer.

**Item 1B.** ***Unresolved Staff Comments.***

None.

**Item 2.** ***Properties.***

At December 31, 2010, we had 164 facilities worldwide, including manufacturing, metal treatment service, aerospace component overhaul, engineering, selling, and other facilities and administrative offices. Of these, we owned 45 locations and leased the remaining 119 facilities.

Our principal physical properties as of December 31, 2010, are described below:

| Location | Description | Segment | Total Sq. Ft. Owned [1] |
|---|---|---|---|
| Cheswick, Pennsylvania | Manufacturing | Flow Control | 698,000 |
| East Farmingdale, New York | Manufacturing | Flow Control | 265,000 |
| Mississauga, Ontario, Canada | Manufacturing | Flow Control | 195,000 |
| Chester, Wales United Kingdom | Metal Treatment Services Shot Peening and Wing Forming | Metal Treatment | 200,000 |
| Shelby, North Carolina | Manufacturing | Motion Control | 168,000 |

The aggregate remaining properties leased and owned, by each business segment, are as follows:

| Segment | Description | Total Sq. Ft. Owned [1] | Total Sq. Ft. Leased [1] |
|---|---|---|---|
| Metal Treatment | Metal treatment service and other facilities and administrative offices | 919,000 | 862,000 |
| Motion Control | Manufacturing, aerospace component overhaul, engineering, and other facilities | 139,000 | 852,000 |
| Flow Control | Manufacturing, engineering, and other facilities | 350,000 | 1,117,000 |

(1) Sizes are approximate. Unless otherwise indicated, all owned properties are owned in fee, are not subject to any major encumbrance, and are occupied primarily by factory and/or warehouse operations.

The Company also leases 30,000 square feet of office space for its corporate headquarters located in Parsippany, New Jersey.

Our Cheswick, Pennsylvania facility is our largest location and is considered material to our business operations. The loss of this facility could result in significant manufacturing delays. The buildings on the properties referred to in this Item are well maintained, in good condition, and are suitable and adequate for the uses presently being made of them. Management believes the productive capacity of our properties is adequate to meet our anticipated volume for the foreseeable future.

**Item 3.** ***Legal Proceedings.***

In the ordinary course of business, we and our subsidiaries are subject to various pending claims, lawsuits, and contingent liabilities. We do not believe that the disposition of any of these matters, individually or in the aggregate, will have a material adverse effect on our consolidated financial position or results of operations.

We have been named in approximately 126 pending lawsuits that allege injury from exposure to asbestos. In addition, to date, we have secured dismissals with prejudice and without prejudice in approximately 157 and 207 lawsuits, respectively, and are currently in discussions for similar dismissal of several other lawsuits, and have not been found liable or paid any material sum of money in settlement in any case. We believe that the minimal use of asbestos in our past and current operations and the relatively non-friable condition of asbestos in our products makes it unlikely that we will face material liability in any asbestos litigation, whether individually or in the aggregate. We do maintain insurance coverage for these potential liabilities and we believe adequate coverage exists to cover any unanticipated asbestos liability.

**Item 4.** ***(Removed and Reserved).***

**PART II**

**Item 5.** ***Market for the Registrant s Common Equity and Related Stockholder Matters and Issuer Purchases of Securities.***

MARKET INFORMATION

Our Common Stock is listed and traded on the New York Stock Exchange under the symbol CW.

| Stock Price Range | 2010 | | 2009 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| **Common Stock** | | | | |
| First Quarter | $ 36.48 | $ 28.32 | $ 36.06 | $ 22.62 |
| Second Quarter | 37.54 | 28.92 | 33.20 | 27.33 |
| Third Quarter | 31.49 | 26.11 | 36.67 | 27.52 |
| Fourth Quarter | 34.01 | 28.78 | 35.20 | 27.97 |

As of January 1, 2011, we had approximately 5,470 registered shareholders of our Common Stock, $1.00 par value.

DIVIDENDS

Our quarterly dividend payments were constant in 2009 and 2010. In the third quarter of 2007, we increased our quarterly dividend payment to $0.08 per share, a 33% increase over the prior dividend of $0.06 per share and the fourth increase in the dividend since 2000.

| | 2010 | 2009 |
|---|---|---|
| **Common Stock** | | |
| First Quarter | $ 0.08 | $ 0.08 |
| Second Quarter | 0.08 | 0.08 |
| Third Quarter | 0.08 | 0.08 |
| Fourth Quarter | 0.08 | 0.08 |

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding our equity compensation plans as of December 31, 2010, the end of our most recently completed fiscal year:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights | Weighted average exercise price of outstanding options, warrants, and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 5,191,047(a) | $31.09 | 925,675(b) |
| Equity compensation plans not approved by security holders | None | Not applicable | Not applicable |

(a) Consists of 4,958,569 shares issuable upon exercise of outstanding options and vesting of performance shares, restricted shares, and restricted stock units under the 2005 Long-Term Incentive Plan and the 1995 Long-Term Incentive Plan, 159,523 shares issuable under the Employee Stock Purchase Plan, and 72,955 shares outstanding under the 2005 Stock Plan for Non-Employee Directors and the 1996 Stock Plan for Non-Employee Directors.

(b) Consists of 333,140 shares available for future option grants under the 2005 Long-Term Incentive Plan, 545,132 shares remaining available for issuance under the Employee Stock Purchase Plan, and 47,403 shares remaining available for issuance under the 2005 Stock Plan for Non-Employee Directors.

*The following performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference therein.*

PERFORMANCE GRAPH

The following graph compares the annual change in the cumulative total return on our Company s Common Stock during the last five fiscal years with the annual change in the cumulative total return of the Russell 2000 Index, the S&P SmallCap 600 Index, and the S&P 500 Aerospace & Defense Index. The graph assumes an investment of $100 on December 31, 2005 and the reinvestment of all dividends paid during the following five fiscal years.

| **Company / Index** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
|---|---|---|---|---|---|---|
| **Curtiss-Wright Corp** | **100** | 136.83 | 186.32 | 124.99 | 118.48 | 126.87 |
| **S&P SmallCap 600 Index** | **100** | 114.07 | 112.68 | 76.63 | 94.86 | 118.55 |
| **Russell 2000** | **100** | 117.00 | 113.79 | 74.19 | 92.90 | 116.40 |
| **S&P 500 Aerospace & Defense** | **100** | 123.12 | 144.67 | 89.96 | 108.97 | 122.48 |

**Item 6. *Selected Financial Data*.**

The data presented in the following table are derived from the audited financial statements.

| | **CONSOLIDATED SELECTED FINANCIAL DATA** | | | | |
|---|---|---|---|---|---|
| | **2010** | **2009** | **2008** | **2007** | **2006** |
| | **(In thousands, except per share data)** | | | | |
| Net sales | $ 1,893,134 | $ 1,809,690 | $ 1,830,140 | $ 1,592,124 | $ 1,282,155 |
| Net earnings | 106,598 | 95,221 | 109,390 | 104,328 | 80,569 |
| Total assets | 2,242,018 | 2,142,041 | 2,042,030 | 1,985,560 | 1,592,156 |
| Total debt | 396,644 | $ 465,093 | $ 516,709 | 511,904 | 364,874 |
| Basic earnings per share | $ 2.33 | $ 2.10 | $ 2.45 | $ 2.35 | $ 1.84 |
| Diluted earnings per share | $ 2.30 | $ 2.08 | $ 2.41 | $ 2.32 | $ 1.82 |
| Cash dividends per share | $ 0.32 | $ 0.32 | $ 0.32 | $ 0.28 | $ 0.24 |

*All per share amounts have been adjusted to reflect our 2-for-1 stock split on April 21, 2006.*

*See notes to the consolidated financial statements for additional financial information.*

**Item 7.** ***Management s Discussion and Analysis of Financial Condition and Results of Operations*****.**

*Analytical Definitions*

Throughout management s discussion and analysis of financial condition and results of operations, the terms incremental and organic are used to explain changes from period to period. The term incremental is used to highlight the impact acquisitions had on the current year results, for which there was no comparable prior-year period. Therefore, the results of operations for acquisitions are incremental for the first twelve months from the date of acquisition. The remaining businesses are referred to as the organic . The definition of organic excludes the effect of foreign currency translation.

Therefore, in 2010, our organic growth calculations do not include the operating results related to our 2010 acquisitions of Hybricon Corporation and Specialist Electronics Services, Ltd. as they are considered incremental. For the twelve months ended December 31, 2010, our organic growth calculations also exclude approximately one month of operating results for Nu Torque, two months of operating results for EST Group, Inc., and eleven months of operating results for Skyquest Systems Ltd. These businesses were acquired on January 16, 2009, March 5, 2009, and December 18, 2009, respectively. Our organic growth calculations also exclude approximately five months operating results for our Eaton product line divestiture which was sold on May 6, 2009. The results of operations for these businesses have been removed from the comparable prior year periods for purposes of calculating organic growth figures and are included as a reduction of our incremental results of operations from our acquisitions.

COMPANY ORGANIZATION

Our Management s Discussion and Analysis of Financial Condition and Results of Operations begins with an overview of our company, followed by economic and industry-wide factors impacting our company and the markets we serve, a discussion of the overall results of operations, and finally a more detailed discussion of those results within each of our reportable operating segments.

We manage and evaluate our operations based on the products and services we offer and the different industries and markets we serve. Based on this approach, we have three reportable segments: Flow Control, Motion Control, and Metal Treatment. For further information on our products and services and the major markets served by our three segments, refer to the Business Description in Part I, Item I of this Annual Report on Form 10-K. The following charts represent our sales by market for 2010 and 2009:

**Market Analysis and Economic Factors**

In 2010, Curtiss-Wright generated strong financial performance due to continued demand for our highly engineered, advanced products and services, improved operating performance, and the diversification of our core markets: defense, power generation, oil and gas, commercial aerospace, and general industrial. Despite ongoing concerns about the pace of the recovery in global demand and various large defense program cancellations, Curtiss-Wright produced healthy sales and profit due to our highly diversified product portfolio and three operating segments that are solidly positioned in our core markets.

Solid overall defense sales growth of 3% was driven by increased demand for our technologies across several branches of the military. In particular, we experienced strong growth in our naval market of 12% due to the ramp-up in production on the

Virginia class submarine program and CVN-79 Ford class aircraft carrier, as well as the Electro-Mechanical Aircraft Launch System and Advanced Arresting Gear programs used in the takeoff and landing of aircraft on naval ships. In aerospace defense, we achieved growth of 11%, benefiting from strong growth in unmanned aerial vehicles, most notably on the Global Hawk program, as well as increased content on various aircraft and helicopter programs. These markets were offset by a 28% decline in ground defense due to reductions in reset and modernization opportunities on various ground vehicles, primarily due to reduced spending on the Bradley Fighting Vehicle, as well as the cancellation of the Future Combat Systems ( FCS ) program. Across our defense business, we saw increased demand for our embedded computing technologies on new domestic programs and upgrades, which is in-line with the government s continued focus on expanding ISR applications, as well as a steady rise in sales to foreign military platforms.

Following a period of significant growth in the overall defense budget and related supplemental budgets seen in the previous decade, future defense spending is expected to moderate and eventually flatten out in the coming years, as several large development programs have been delayed or cancelled, and the current Administration looks to decrease troops stationed abroad.

Our commercial markets grew 6% in 2010, driven by rebounds in several of our key markets as the global financial crisis abated and the U.S. economy began to show signs of improvement. In particular, we experienced a significant turnaround in our general industrial market, which increased 18% over the prior year, in addition to an increase of 11% in our commercial aerospace market and an increase of 3% in our power generation market. These increases were partially offset by weaker sales in our oil & gas markets of 4% due to customer delays and reduced capital spending on larger projects, primarily from domestic customers.

*Economic Factors Impacting Our Markets*

Looking forward, we believe that certain industries within our commercial markets will continue to experience pressure as the global economy begins to rebound, but our unique and highly engineered products, which are typically provided through long-term programs, will continue to generate demand. U.S. defense spending levels are expected to slow moderately over the next few years with a repositioning of the U.S. defense budget, while higher costs for labor will likely reduce funding available for certain development and production programs. We expect the commercial aerospace market to increase in the near-term as new program deliveries successfully ramp production and drive demand for more fuel efficient designs and the global economic recovery stimulates the travel and transportation industries. In addition, we expect continued growth in our power generation market, fueled by global nuclear power construction, as well as our oil and gas market, due to the ongoing focus on resource independence and environmental issues.

*General Economy*

Many of our industrial businesses are driven in large part by global economic growth, especially in the United States. In 2010, the U.S. economy, as measured by real gross domestic product ( GDP ), grew at a modest pace during the first half of the year, reflecting the beginning of a turnaround from the global economic recession that led to severely restricted access to capital, reduced economic demand and significant declines in energy demand. However, the broader economy slowed down considerably in the second half of 2010. Industrial production and capacity utilization rates were similarly strong in the first half of the year. However, the U.S. recovery appeared to lose some of its momentum in the third quarter of 2010 and concerns for a double-dip recession resurfaced, as the continued weak housing market and lack of job creation diminished consumer confidence. Additionally, industrial production fell in September for the first time in more than a year, signaling a slight cooling in manufacturing activity, as total production and manufacturing output both moderated through the second half of the year. However, full year 2010 industrial production posted its strongest increase on an annual basis since 1998, rising 5.8% in 2010 after falling 9.3% in 2009.

In 2011, the broader economy is expected to continue to recover, and we are cautiously optimistic that our commercial and industrial markets will continue to improve.

*Defense*

During 2010 approximately 41% of our business is in the military sector, predominantly in the United States, and characterized by long-term programs and contracts driven primarily by the U.S. Department of Defense ( DoD ) budgets and funding levels. In 2010, U.S. military spending levels, as measured by the U.S. DoD funding, began to slow after years of strong growth. However, increased ISR funding in 2010 was one of the key positives as it relates to our business, as our embedded computing products and electronics systems provided increased growth, and are expected to continue to receive solid funding moving forward. The U.S. defense budget request for 2011, a leading indicator of our defense market, increased approximately 2% in the President s latest proposal, including supplemental spending of approximately $159 billion, although it is expected that the final defense budget passed by Congress may result in slightly lower funding levels. The FY 2011 defense budget begins to

implement several of the recommendations of the Quadrennial Defense Review completed in early 2010 and will play a key role in shaping future military budgets.

We have a well-diversified portfolio of products and services that supply all branches of the U.S. military, with content on many high performance defense platforms including: aircraft carriers, submarines, destroyers, and the F-18 Super Hornet for the U.S. Navy; the U.S. Coast Guard Deepwater program; the F-35 JSF, P-8 Poseidon, F-16 Falcon, F-22 Raptor, V-22 Osprey, and Unmanned Aerial Vehicle programs, such as the Global Hawk, for the U.S. Air Force; and the UH-60 Black Hawk, AH-64 Apache, and CH-47 Chinook helicopters, the Abrams Tank, the Bradley Fighting Vehicle, and the Stryker for the U.S. Army. In addition, we are involved in many of the future military systems that are currently in development, such as the U.S Army s Ground Combat Vehicle, and the U.S. Navy s BAMS variant of the Global Hawk platform. We also provide a variety of products to non-U.S. military programs in Europe, the Asia Pacific region, the Middle East, South America, and Canada.

In naval defense, the Fiscal Year 2011 budget indicates continued support and funding for the U.S. Navy s shipbuilding program, and includes beginning construction of two Virginia class submarines in FY2011, additional funding for the restart of the DDG 51 class destroyer construction program, and continued development of the Ohio class SSBN submarine replacement program ( ORP ). The ORP program has been targeted to receive $672 million of Research and Development ( R&D ) funding in FY 2011, followed by more than $1 billion expected in FY 2012. The U.S. Navy is expected to procure 9 new ships in Fiscal Year 2011 and 50 ships through Fiscal Year 2015. In addition to the increase in production from one to two Virginia class submarines per year starting in Fiscal Year 2011, as part of an eight submarine multi-year contract, work on the new CVN-79 Ford class aircraft carrier is expected to ramp up significantly in 2011 as part of the 5-year build cycle on aircraft carriers. Overall, the FY 2011 budget includes increased funding for the U.S. Navy shipbuilding program, with plans to balance capability, affordability, and industrial base stability.

In aerospace defense, we anticipate incremental funding on programs such as the F-35, Global Hawk, and P-8 as they transition from development to production programs, as well as strong demand for helicopters, which continue to be in high utilization in both Iraq and Afghanistan. However, we expect our performance in this market to be offset by the winding down of the F-22 program and lower volumes on the F-16.

In ground defense, new production orders and resets on the Bradley Fighting Vehicle slowed as U.S. military ground forces shifted from Iraq to Afghanistan, lessening the need for an equivalent complement of wheeled vehicles given the mountainous terrain. While we anticipate ground vehicle upgrades and modernization programs will continue to be funded, the timing is uncertain following years of rapid growth from the supplemental defense budgets. However, current platforms, such as the Abrams, Bradley, and Stryker, have strong long run momentum, and we anticipate future spending will continue to leverage technology upgrades onto these programs, as well as the development of newer manned and unmanned platforms.

While the core defense budget is expected to grow moderately, reductions in supplemental spending, as well as the trimming of procurement and investment accounts, could negatively impact overall demand for some of our technologies. In the near-term, however, the global war on terror, emerging security challenges around the globe, and the need to replace worn-out equipment make precipitous reductions unlikely. While DoD funding fluctuates year-by-year and program-by-program, the primary risk facing us would be the termination of a nuclear program, such as the aircraft carrier or submarine. Although we monitor the budget process as it relates to programs in which we participate, we cannot predict the ultimate impact of future DoD budgets.

*Commercial Aerospace*

Approximately 13% of our revenue is derived from the global commercial aerospace market. Our primary focus in this market is OEM products and services for commercial jets. However, we have expanded into the regional and business jet sectors with new content on the Cessna, Embraer, and Learjet platforms, and we are providing increasing content to commercial helicopters. Our Motion Control segment primarily provides flight control and utility actuation systems, sensors, and other electronics to Boeing as well as electronic products to Airbus. Our Metal Treatment segment forms all of the wing skins for Airbus aircraft, as well as the Boeing 747-8 aircraft, and also services highly stressed components on turbine engines, landing gear, and aircraft structures. Demand for our commercial aerospace products and services is primarily driven by increased customer production levels, including new platforms for both Boeing and Airbus, increased demand for Sikorsky helicopters, and our successful introduction of new products for existing programs.

The commercial aerospace business is expected to improve in 2011. The largest driver of the commercial aerospace business is OEM parts, which is highly dependent on new aircraft production. Industry data supports a modest increase in commercial aircraft deliveries over the next few years, as 2011 will mark the first year in a multi-year production up-cycle for the commercial aerospace market due to announced increases in production by both Boeing and Airbus, with OEM-oriented companies expected to perform well over this timeframe. Industry experts also expect an improving outlook for both regional and business jets. Global airline traffic is another indicator for long-term growth in the commercial aerospace industry, and economic growth is one of the primary drivers of global airline traffic demand. According to the International Air Transport

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Association, the airline industry is expected to see a strong cyclical upswing in revenues, improved utilization of capacity by airlines and solid global airline traffic in 2011, although it is still likely to feel the effects of higher fuel prices and economic uncertainty.

*Oil and Gas*

Approximately 14% of our revenue is derived from the oil and gas market. We provide critical-function valves, process vessels, and control electronics to this market through our Flow Control segment as well as Metal Treatment services on highly stressed metal components. Our significant portfolio of advanced technologies for this market includes integrated systems technologies developed for secondary refining processes such as delayed coking, catalytic cracking, and hydrotreating, as well as a large portfolio of safety-related valve and pressure protection technologies, and digital process control electronics, which provide protection throughout the entire refinery, as well as in petrochemical and other processing plants. We recently expanded our offering in this market through the development of a state-of-the-art manufacturing facility to be used to build large, thick-walled vessels (such as coke drums, fractionators, fluid catalytic cracking units and hydrotreaters) for the refining, chemical and nuclear power industries.

The most prevalent driver impacting this market is capital spending by refiners for maintenance, upgrades, capacity expansion, safety improvements, and compliance with environmental regulations, which is experienced by both our domestic and international customers. Refiner profitability and global crude oil prices in general will impact their capital spending levels. In 2010, the oil and gas market was negatively impacted by a reduction in new capital equipment orders due to the lack of capital spending, the aftermath of the BP oil spill and general economic uncertainty. While oil prices began improving throughout the year, refinery margins remained low and led to reduced capital expenditures in 2010, which is likely to continue into the first half of 2011. Crude oil prices increased more than 28% during 2010 and are forecast to continue to grow in 2011, albeit at a slower pace, according to the Energy Information Administration, as the world economy recovers and demand continues to outpace supply.

However, we believe a base level of maintenance capital spending will result in continued demand for our products, in particular for our pressure-relief valve technologies and field services, as refineries opportunistically service or upgrade equipment which has been operating at full capacity in recent years. We also expect to see increased demand for our complete coker deheading system, which includes top and bottom unheading valves, isolation valves, cutting tools, and valve automation, process control, and protection systems, which enables safer coke drum operation during the refining process. Additionally, global environmental concerns will drive incremental spending to comply with more stringent emissions standards. Finally, as global dependence on natural resources persists, oil exploration deepens, and transport requirements widen, we anticipate additional opportunities will arise for flow control products to meet these challenges and we continue to take a long-term view that energy and energy production, transmission, and consumption will provide a foundation of economic strength.

*Power Generation*

Approximately 19% of our revenue is derived from the commercial power generation market, where we supply a variety of highly engineered products and services, including reactor coolant pumps, control rod drive mechanisms, valves, motors, nuclear storage solutions, containment doors, bolting solutions, and enterprise resource planning and plant process controls through our Flow Control segment. In addition, we are one of a small number of companies that provides N-stamp quality assurance certification necessary for supplying nuclear plant equipment. Many of the companies that originally participated in the nuclear power plant construction market years ago have since exited this market.

Our strong growth in recent years is a result of the U.S. plant recertification process. Nearly all of the 104 operating U.S. nuclear power plants have applied for or will be applying for plant life extensions as they reach the end of their current 40-year operating lives. As of December 31, 2010, approximately 61 plants have received plant life extensions, applications from 22 additional plants have been submitted and are pending approval, and letters of intent to apply have been submitted from 16 more plants with expected application submittal dates from 2011 through 2017. We provide diagnostic equipment, consulting, inspection and testing services that support plant life extensions and power uprates on the 104 operating reactors in the U.S., as well as operating reactors located throughout the world.

In addition to plant recertifications, there are several emerging factors that could precipitate an expansion in global commercial nuclear power demand over the next several years. Continued growth in global demand for electricity, especially in developing countries with limited supply, will require increased capacity. The Energy Information Administration forecasts that electricity demand will increase at an average annual rate of 1% through 2035. In addition, the continued supply constraints and environmental concerns attributed to the current dependence on fossil fuels have led to a reassessment of the value of nuclear technology as the most efficient and environmentally friendly source of energy available today. As a result, we expect growth opportunities in this market both domestically and internationally, although the timing of orders remains uncertain.

Domestically, applications for approximately 30 new power plants have been submitted to the Nuclear Regulatory Commission ( NRC ). Thus far, the Westinghouse AP1000 reactor design has been selected for 14 of the potential new reactors. Our Flow Control segment has significant content on the AP1000 reactor, the only Generation III+ advanced design certified by the NRC.

Internationally, new nuclear plant construction is active. Currently there are approximately 62 new reactors under construction in 15 countries, 147 more planned, and another 299 proposed. In particular, China intends to expand its nuclear power capabilities significantly through the construction of new nuclear power plants over the next several years.

*General Industrial*

Approximately 13% of our revenue is derived from the general industrial market, which consists primarily of metal treatment services, industrial sensors, and motor and machine control systems for OEMs and industrial customers, including the HVAC, automotive, construction, transportation and entertainment industries. Our performance in this market is typically sensitive to the performance of the U.S. and global economies.

For 2010, we experienced a broad increase in our general industrial market, as we began to see signs of an economic recovery in the U.S. This demand was primarily related to improved performance in sensors and controls systems, metal treatment services, and commercial HVAC products. We also had solid sales in our automotive market to both domestic and international customers, due to the increase in global auto production. Looking ahead, based on expectations for a continued, yet modest, global economic turnaround in 2011, the general industrial market is likely to experience modest growth based on improved volumes across several industries in which we participate.

RESULTS OF OPERATIONS

*Year Ended December 31, 2010 Compared with Year Ended December 31, 2009*

For the year ended December 31, 2010, sales for the Corporation were $1,893 million. This was an increase of $83 million, or 5%, from $1,810 million in 2009. The increase in sales was largely driven by an increase in organic sales of $55 million, or 3%, over the prior year. This was driven by increases in all three segments: $33 million in our Flow Control segment, $19 million in our Metal Treatment segment, and $3 million in our Motion Control segment. Incremental sales from our 2009 and 2010 acquisitions were $26 million or 1%. The remaining sales increase of $3 million was due to the favorable effects of foreign currency translation.

In 2010, we experienced organic sales growth across most major markets. Our general industrial, commercial aerospace, power generation, and defense markets all increased over the prior year. We achieved strong, double-digit organic sales growth in our general industrial market, with improvements in all three segments. Our Motion Control and Metal Treatment segments experienced substantial increases in demand for our industrial control and embedded computing products as well as our shot peening, heat treating, and coating services, respectively. Strong growth in our commercial aerospace market resulted from increased demand for our sensors and controls products used on various commercial aircraft as well as the ramp-up of production on the Boeing 787 program. Our power generation market showed modest growth over the prior year. While we experienced growth in most commercial markets, we continue to be challenged in the oil and gas market due to delays in new order placement for our traditional valve products. The growth within our defense markets was driven by strong increases in the aerospace and naval markets within our Motion Control and Flow Control segments, respectively. Most notably, the improvements were driven by increased sales supporting ISR applications, including the Global Hawk Unmanned Aerial Vehicle and various helicopter programs, as well as the Virginia class submarine program. These increases were largely offset by declines in the ground defense market within our Motion Control segment, which was due to lower sales of embedded computing products for tanks and light armored vehicles, such as the Stryker and Bradley Fighting Vehicles, as well as lower sales due to the cancellation of the FCS program.

Backlog increased 3% to $1,670 million at December 31, 2010, from $1,627 million at December 31, 2009. New orders increased by $188 million ($1,918 million versus $1,730 million), or 11%, during 2010. This increase is attributable to a large number of orders, distributed across our ground defense, aerospace defense, commercial aerospace, and oil and gas markets, partially offset by the timing of new orders on long-term naval defense contracts. Acquisitions contributed an incremental $34 million to new orders from the comparable period in 2009.

Operating income for 2010 was $180 million, which increased $11 million, or 6%, from $169 million in 2009. Organic operating income increased by approximately $21 million, or 12%, but was partially offset by $10 million of unfavorable foreign currency translation. Our segment organic operating margin was 11.8% for 2010, a 110 basis point improvement, compared to 10.7% in the prior year. Our Metal Treatment, Flow Control, and Motion Control segments organic operating income increased 32%, 15% and 8%, respectively, mainly due to both improved absorption on increased sales volumes and benefits generated from our cost reduction and restructuring programs. Please refer to Note 10 to the Consolidated Financial

Statements for more information regarding our restructuring. Non-segment operating expense increased by $7 million, mainly due to higher medical and pension expenses. Our 2009 and 2010 acquisitions had a minimal impact on operating income during 2010.

Net earnings for 2010 totaled $107 million or $ 2.30 per diluted share, an increase of 12% as compared to $95 million or $2.08 per diluted share in 2009. As compared to the prior year period, the higher operating income, noted above, was supplemented by a $3 million decrease in interest expense. The decrease in interest expense was due to both lower average interest rates and lower average outstanding debt. Our effective tax rate for 2010 was 32.7% as compared to 34.4% in 2009. The lower effective tax rate was mainly due to higher foreign tax credits that were generated by a repatriation of cash from certain foreign locations in the fourth quarter of 2010.

*Year Ended December 31, 2009 Compared with Year Ended December 31, 2008*

For the year ended December 31, 2009, sales for the Corporation were $1,810 million. This was a decrease of $20 million, or 1%, from $1,830 million in 2008. The decrease in sales was largely driven by a decrease in organic sales of $37 million or 2%. The decline in organic sales was driven by a reduction in our Metal Treatment segment of $51 million and partially offset by an increase in our Motion Control segment of $15 million. Organic sales for our Flow Control segment were essentially flat over the prior year period. Incremental sales from our 2008 and 2009 acquisitions and divestitures were $43 million or 2%. The remaining sales decline of $27 million or 1% was due to the unfavorable effects of foreign currency translation.

Across the Corporation, we experienced significant reductions in organic sales within our general industrial, oil and gas, and commercial aerospace markets due to generally weak global economic conditions. The decline in sales to the general industrial market is attributed to depressed sales for our automotive, industrial control products, and services across all of our segments. Economic pressures on our customers in the oil and gas market caused delays for new order placement for our coker valve products as well as other valves and services within our Flow Control segment. Similarly in our commercial aerospace market, we experienced a decline in demand within our Metal Treatment segment and, to a lesser extent, delayed orders for integrated sensing products within our Motion Control segment. While challenged in several markets, we continued to experience strong growth in our power generation and defense markets which partially offset the aforementioned decreases. The increase within our power generation markets, primarily in our Flow Control segment, resulted from higher sales of valves and engineering services to plant operators, as well as reactor coolant pumps for the AP1000 nuclear reactors. An increase was realized across all our defense markets. Our Motion Control segment had strong growth in the aerospace, ground and naval defense markets and our Flow Control segment had strong growth in the naval defense market. Most notably, the growth in our naval and aerospace defense markets was driven by increased sales on the Ford class aircraft carrier and Global Hawk Unmanned Aerial Vehicle programs, respectively.

Backlog decreased 3% to $1,627 million at December 31, 2009, from $1,679 million at December 31, 2008. New orders declined by $502 million ($1,730 million versus $2,232 million), or 22%, during 2009. In 2008, we received a large order in excess of $300 million related to our next-generation reactor coolant pumps for the AP1000 nuclear power plants that did not recur in the current year. Acquisitions contributed an incremental $44 million to new orders from the comparable period in 2008.

Operating income for 2009 was $169 million, which decreased $27 million, or 14%, from $197 million in 2008. Organic operating income decreased by approximately $30 million in 2009, while our 2008 and 2009 acquisitions had $6 million in incremental operating losses. Our Metal Treatment and Flow Control segments organic operating income declined 57% and 14%, respectively, mainly due to under-absorption of overhead costs resulting from significantly lower volumes in our general industrial and oil and gas markets, offset partially by cost reduction programs. The decrease in our Metal Treatment and Flow Control segments was partially offset by an increase in the Motion Control segment s organic operating income of 35%. This increase was the result of several nonrecurring events that negatively impacted the margins in 2008 as well as current year benefits generated from our cost reduction and restructuring programs. Organic research and development, selling, general, and administrative costs remained essentially flat as a percentage of sales over the prior year due to cost reduction programs. Please refer to Note 10 to the Condensed Consolidated Financial Statements for more information regarding our restructuring. Foreign currency translation had an additional favorable impact of $8 million on our results in 2009 versus 2008.

Net earnings for 2009 totaled $95 million or $2.08 per diluted share, a decrease of 13% compared to $109 million or $2.41 per diluted share in 2008. Compared to the prior year period, the lower operating income, noted above, was partially offset by a $4 million decrease in interest expense and a $10 million decrease in tax expense. Interest expense decreased for 2009, compared to 2008, due to lower average interest rates partially offset by higher average outstanding debt. Our effective tax rate for 2009 was 34.4% compared to 35.3% in the same period of 2008. Our 2009 effective tax rate included a tax benefit principally due to a Canadian tax rate change which was partially offset by an increase in state tax expense. The 2009 effective tax rate was also favorably impacted by an increase in research and development tax credits from our Canadian and U.K. operations.

**Segment Performance**

We operate in three principal operating segments on the basis of products and services offered and markets served: Flow Control, Motion Control, and Metal Treatment. See Note 18 to the Consolidated Financial Statements for further segment financial information. The following table sets forth revenues, operating income, operating margin, and the percentage changes on those items, for 2010 as compared with the prior year periods, by operating segment: