

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
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### FILER

#### UNC INC

CIK: **276104** | IRS No.: **541078297** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-07795** | Film No.: **94528002**  
SIC: **3724** Aircraft engines & engine parts

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ANNAPOLIS MD 21401  
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## FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Period ended March 31, 1994

Commission File Number: 1-7795

UNC INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

54-1078297

(State or other jurisdiction of  
incorporation or organization)(I.R.S. Employer  
Identification No.)

175 Admiral Cochrane Drive

Annapolis, MD

21401

(Address of principal executive offices)

(Zip Code)

Registrants' telephone number, including area code (410) 266-7333

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  No 

Number of shares of Common Stock, par \$0.20, outstanding as of May 6, 1994: 17,492,134 (excluding 700,000 treasury shares held by a subsidiary).

UNC Incorporated, and Subsidiaries

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UNC Incorporated and Subsidiaries  
Consolidated Statements of Earnings  
(Dollars in thousands except per share amounts)

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	----- 1994 -----	----- 1993 -----
<S>	<C>	<C>
Sales and operating revenues	\$ 138,412	\$ 82,971
Costs and expenses:		
Cost and operating expenses	113,659	64,840
Selling, general and administrative expenses	16,003	12,102
	----- 129,662	----- 76,942
Operating income	8,750	6,029
Other income (expense):		
Interest income	7	31
Interest expense	(4,954)	(2,962)
Other	(286)	(329)
	----- (5,233)	----- (3,260)
Earnings before income taxes	3,517	2,769
Income tax provision	(1,055)	(554)
Net earnings	\$ 2,462	\$ 2,215
Net earnings per share	\$ .14	\$ .13

</TABLE>

UNC Incorporated and Subsidiaries  
Consolidated Balance Sheets  
(Dollars in thousands)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	March 31, 1994	December 31, 1993
	-----	-----
<S>	<C>	<C>
Assets		
- - - - -		
Current assets:		
Cash and short-term investments	\$ 869	\$ 1,494
Accounts receivable, less allowance for doubtful accounts of \$5,711 and \$6,366, respectively	97,465	91,058
Unbilled costs and accrued profits on contracts in progress	28,659	28,384
Inventories	111,928	109,766
Other	14,797	18,378
	-----	-----
Total current assets	253,718	249,080
Net assets of discontinued operations	20,589	20,600
Property, plant and equipment, at cost	104,568	99,068
Less accumulated depreciation	34,021	32,037
	-----	-----
Net property, plant and equipment	70,547	67,031
Cost in excess of net assets of acquired com- panies, less accumulated amortization of \$20,438 and \$19,257, respectively.	141,162	141,718
Other assets	27,692	27,704
	-----	-----
Total assets	\$513,708	\$506,133
	=====	=====

&lt;/TABLE&gt;

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UNC Incorporated and Subsidiaries  
Consolidated Balance Sheets  
(Dollars in thousands) (cont.)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	March 31, 1994	December 31, 1993
	-----	-----
<S>	<C>	<C>
Liabilities and Shareholders' Equity		
- - - - -		
Current liabilities:		
Current portion of long-term debt	\$ 6,708	\$ 6,529
Accounts payable	27,145	38,625
Income taxes	2,246	2,062
Accruals and other current liabilities	46,462	51,664
	-----	-----
Total current liabilities	82,561	98,880

Long-term debt, less current portion:		
Revolving Senior Bank Debt, prime plus 1/2% due 1995	39,000	16,500
9 1/8% Senior Notes due 2003	100,000	100,000
7 1/2% Convertible Subordinated Debentures due 2006	69,000	69,000
Other	4,841	5,254
	-----	-----
Total long-term debt, less current portion	212,841	190,754
Other long-term liabilities	50,290	51,013
	-----	-----
Total liabilities	345,692	340,647
Shareholders' equity:		
Series preferred stock, par value \$1.00 per share; Authorized 12,000,000 shares; 250,000 designated Series A Junior Participating Preferred Stock, none issued		
Common stock, par value \$0.20 per share; authorized 50,000,000 shares; issued 18,095,134 and 18,085,334 shares, respectively	3,619	3,617
Additional paid-in capital	121,792	121,746
Retained earnings	53,021	50,559
	-----	-----
	178,432	175,922
Less:		
Treasury stock, at cost (700,000 shares)	8,750	8,750
Minimum pension liability adjustment	1,345	1,345
Unearned compensation-restricted stock	321	341
	-----	-----
Total shareholders' equity	168,016	165,486
	-----	-----
Total liabilities and shareholders' equity	\$513,708	\$506,133
	=====	=====

</TABLE>

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UNC Incorporated and Subsidiaries  
Consolidated Statements of Cash Flows  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	----- 1994 -----	----- 1993 -----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 2,462	\$ 2,215
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	3,456	2,446
Provision for losses on accounts receivable	334	367
Income from leveraged lease	(652)	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(6,741)	(9)
(Increase) in unbilled costs & accrued profits on contracts in progress	(275)	(439)
(Increase) in inventories	(2,162)	(4,986)
(Increase) decrease in other current assets	3,601	(535)
(Increase) decrease in other noncurrent assets	921	(407)
(Decrease) in accounts payable	(11,480)	(8,749)

(Decrease) in accruals and other current liabilities	(5,202)	(3,176)
Increase in income taxes payable	184	325
Increase (decrease) in other noncurrent liabilities	(197)	212
(Decrease) in discontinued operations liabilities	(526)	(563)
	-----	-----
Total adjustments	(18,739)	(15,514)
	-----	-----
Net cash and short-term investments provided (used) by operating activities	(16,277)	(13,299)
	-----	-----

</TABLE>

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UNC Incorporated and Subsidiaries  
Consolidated Statements of Cash Flows  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	----- 1994 -----	----- 1993 -----
	<C>	<C>
Cash flows from investing activities:		
Net proceeds from sale of assets		4,747
Additions to property, plant and equipment	(6,662)	(1,059)
Naval Products phase out		1,930
Other transactions		(4)
	-----	-----
Net cash and short-term investments provided (used) by investing activities	(6,662)	5,614
	-----	-----
Cash flows from financing activities:		
Additions to debt	62,500	38,500
Reductions in debt	(40,234)	(31,098)
Other transactions	48	9
	-----	-----
Net cash and short-term investments provided (used) by financing activities	22,314	7,411
	-----	-----
Net (decrease) in cash and short-term investments	(625)	(274)
Cash and short-term investments at beginning of year	1,494	1,968
	-----	-----
Cash and short-term investments at end of period	\$ 869	\$ 1,694
	=====	=====

</TABLE>

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UNC Incorporated and Subsidiaries  
Notes to Consolidated Financial Statements

1. The accompanying financial statements, which should be read in conjunction

with the Consolidated Financial Statements included in the Annual Report filed on Form 10-K for the year ended December 31, 1993, are unaudited. The statements have been prepared in the ordinary course of business for the purpose of providing information with respect to the interim periods, and are subject to audit at the close of the year. It is the opinion of the management of the Company that all adjustments (none of which were other than normal recurring accruals) necessary for a fair presentation of such periods have been included. Results of interim periods are not necessarily indicative of results to be expected for the full year.

2. Inventories at March 31, 1994 and December 31, 1993:

<TABLE>

<CAPTION>

	(Dollars in thousands)	
	1994	1993
	-----	-----
<S>	<C>	<C>
Component parts and materials	\$ 78,843	\$ 84,016
Work in process	30,581	23,429
Supplies	2,504	2,321
	-----	-----
	\$111,928	\$109,766
	=====	=====

</TABLE>

3. In July 1993, the Company issued \$100 million principal amount of 9-1/8% Senior Notes due 2003. The notes are guaranteed by all of the Company's subsidiaries in the manner described below. The combined guarantors are jointly and severally liable under the subsidiary guarantees.

The Company's obligations under the Notes are unconditionally guaranteed by each of the Company's subsidiaries (the "Guarantees"). Each Guarantee is a senior unsecured obligation of the subsidiary providing such Guarantee and ranks pari passu with all senior unsecured indebtedness of such subsidiary. The subsidiaries also have guaranteed the indebtedness outstanding under the Company's revolving credit facility (the "Subsidiary Bank Guarantees"). The Subsidiary Bank Guarantees are collateralized, in general, by the accounts receivable and inventory of the subsidiaries and therefore effectively rank senior to the Guarantees. The Guarantees are in effect only for as long as the Subsidiary Bank Guarantees remain in effect. If the Guarantees are terminated the Notes will be obligations solely of the Company and will be effectively subordinated to all existing and future indebtedness of the subsidiaries.

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The following condensed consolidating information presents:

- (1) Condensed financial statements as of March 31, 1994 and for the three months ended March 31, 1994 and 1993 of (a) the Company on a parent company only basis (Parent Company), (b) the Combined Guarantors, and (c) the Company on a consolidated basis.
- (2) The Parent Company with its investments in subsidiaries accounted for on the equity method.
- (3) Elimination entries necessary to consolidate the Parent Company and its subsidiaries.

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UNC INCORPORATED  
Condensed Consolidating Balance Sheet  
As of March 31, 1994  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Parent Company -----	Combined Guarantors -----	Eliminations -----	Consolidated -----
<S>	<C>	<C>	<C>	<C>
Assets				
-----				
Current assets:				
Cash & short-term investments	\$ 254	\$ 615		\$ 869
Accounts receivable, net	705	96,760		97,465
Unbilled costs and accrued profits on contracts in progress		28,659		28,659
Inventories		111,928		111,928
Other	1,262	13,535		14,797
	-----	-----		-----
Total current assets	2,221	251,497		253,718
	-----	-----		-----
Net assets of discontinued operations	18,000	2,589		20,589
Property, plant & equipment, net	3,179	67,368		70,547
Cost in excess of net assets of acquired companies, net		141,162		141,162
Other noncurrent assets	15,773	11,919		27,692
Investments in and advances to subsidiaries	353,962		\$ (353,962)	
	-----	-----	-----	-----
Total assets	\$393,135	\$474,535	\$ (353,962)	\$ 513,708
	=====	=====	=====	=====

</TABLE>

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UNC INCORPORATED  
Condensed Consolidating Balance Sheet  
As of March 31, 1994  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Parent Company -----	Combined Guarantors -----	Eliminations -----	Consolidated -----
<S>	<C>	<C>	<C>	<C>
Liabilities and Shareholders' Equity				
-----				
Current liabilities:				
Current portion of long-term debt	\$ 1,000	\$ 5,708		\$ 6,708
Accounts payable	178	26,967		27,145
Accruals and other current liabilities	11,109	37,599		48,708
	-----	-----		-----
Total current liabilities	12,287	70,274		82,561
	-----	-----		-----
Long-term debt	191,500	21,341		212,841
Other noncurrent liabilities	12,582	37,708		50,290
	-----	-----		-----
Total liabilities	216,369	129,323		345,692



Common stock and additional paid in capital	125,411			125,411
Retained earnings	53,021			53,021
Equity of subsidiaries and advances of parent		353,962	\$ (353,962)	
	178,432	353,962	(353,962)	178,432
Less:				
Treasury stock at cost (700,000 shares)		8,750		8,750
Minimum pension liability adjustment	1,345			1,345
Unearned compensation-restricted stock	321			321
Total shareholders' equity	176,766	345,212	(353,962)	168,016
Total liabilities and shareholders' equity	\$393,135	\$474,535	\$ (353,962)	513,708

</TABLE>

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UNC INCORPORATED  
Condensed Consolidating Statement of Earnings  
Three Months Ended March 31, 1994  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Parent Company	Combined Guarantors	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>
Sales and operating revenues	\$	\$ 138,412		\$ 138,412
Costs and expenses:				
Costs and operating expenses		113,659		113,659
Selling, general and administrative expenses	4,279	11,724		16,003
Allocated expenses	(1,776)	1,776		
	2,503	127,159		129,662
Operating income	(2,503)	11,253		8,750
Other income (expense):				
Interest income	3	4		7
Interest expense	(3,791)	(1,163)		(4,954)
Other	(287)	1		(286)
Equity in income of subsidiaries	7,890		\$ (7,890)	
	3,815	(1,158)	(7,890)	(5,233)
Earnings before income taxes	1,312	10,095	(7,890)	3,517
Income tax benefit (provision)	1,150	(2,205)		(1,055)
Net earnings	\$ 2,462	\$ 7,890	\$ (7,890)	\$ 2,462

</TABLE>

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UNC INCORPORATED  
Condensed Consolidating Statement of Earnings  
Three Months Ended March 31, 1993  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Parent Company	Combined Guarantors	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>
Sales and operating revenues	\$	\$ 82,971		\$ 82,971
Costs and expenses:				
Costs and operating expenses		64,840		64,840
Selling, general and administrative expenses	3,366	8,736		12,102
Allocated expenses	(3,366)	3,366		
	-----	-----		-----
		76,942		76,942
	-----	-----		-----
Operating income		6,029		6,029
Other income (expense):				
Interest income	24	7		31
Interest expense	(2,356)	(606)		(2,962)
Other	(335)	6		(329)
Equity in income of subsidiaries	4,922		\$ (4,922)	
	-----	-----	-----	-----
	2,255	(593)	(4,922)	(3,260)
	-----	-----	-----	-----
Earnings before income taxes	2,255	5,436	(4,922)	2,769
Income tax provision	(40)	(514)		(554)
	-----	-----	-----	-----
Net earnings	\$ 2,215	\$ 4,922	\$ (4,922)	\$ 2,215
	=====	=====	=====	=====

</TABLE>

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UNC INCORPORATED  
Condensed Consolidating Statement of Cash Flows  
Three Months Ended March 31, 1994  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Parent Company	Combined Guarantors	Consolidated
<S>	<C>	<C>	<C>
Net cash flow from (used by) operations	\$ 4,507	\$ (20,784)	\$ (16,277)

Cash flows from investing activities:

Additions to property, plant and equipment		(6,662)	(6,662)
	-----	-----	-----
Net cash and short-term investments provided (used) by investing activities		(6,662)	(6,662)
	-----	-----	-----
Cash flows from financing activities:			
Additions to debt	41,500	21,000	62,500
Reductions in debt	(30,500)	(9,734)	(40,234)
Other transactions, net	48		48
Net cash transfers to (from) parent	(16,158)	16,158	
	-----	-----	-----
Net cash and short-term investments provided (used) by financing activities	(5,110)	27,424	22,314
	-----	-----	-----
Net decrease in cash and short-term investments	(603)	(22)	(625)
Cash and short-term investments at beginning of year	857	637	1,494
	-----	-----	-----
Cash and short-term investments at end of period	\$ 254	\$ 615	\$ 869
	=====	=====	=====

</TABLE>

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UNC INCORPORATED  
Condensed Consolidating Statement of Cash Flows  
Three Months Ended March 31, 1993  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Parent Company	Combined Guarantors	Consolidated
	-----	-----	-----
<S>	<C>	<C>	<C>
Net cash flow from (used by) operations	\$ (1,569)	\$ (11,730)	\$ (13,299)
Cash flows from investing activities:			
Net proceeds from sales of assets		4,747	4,747
Additions to property, plant and equipment	(10)	(1,049)	(1,059)
Naval Products phase out	1,930		1,930
Other transactions, net		(4)	(4)
	-----	-----	-----
Net cash and short-term investments provided (used) by investing activities	1,920	3,694	5,614
	-----	-----	-----
Cash flows from financing activities:			
Additions to debt	38,500		38,500
Reductions in debt	(30,969)	(129)	(31,098)
Other transactions, net	9		9
Net cash transfers to (from) parent	(8,511)	8,511	
	-----	-----	-----

Net cash and short-term investments provided (used) by financing activities	(971)	8,382	7,411
	-----	-----	-----
Net decrease in cash and short-term investments	(620)	346	(274)
Cash and short-term investments at beginning of year	1,646	322	1,968
	-----	-----	-----
Cash and short-term investments at end of period	\$ 1,026	\$ 688	\$ 1,694
	=====	=====	=====

</TABLE>

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UNC Incorporated and Subsidiaries  
Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Results of Continuing Operations

Overview

The Company's operations are conducted in one business segment which includes: the manufacture and remanufacture of jet engine and aircraft components, the overhaul of aircraft accessories, aircraft engines, the refurbishment and overhaul of helicopters, and providing maintenance and training, repair and logistical contract services.

In January 1994 the Company acquired the contract backlog of the Aerospace Products Division of Anadite, Inc. The contract backlog acquired is directly related to long term contracts extending to the year 2005 to manufacture various aerostructure components for several prime aircraft companies. Also certain equipment was acquired in connection with the acquisition of the contract backlog.

Quarter Ended March 31, 1994 Compared with Quarter Ended March 31, 1993

-----  
Revenues were \$138.4 million for the first quarter of 1994 compared with \$83.0 million in the 1993 quarter, an increase of \$55.4 million (66.8%). Operating income was \$8.7 million in the 1994 quarter compared with \$6.0 million in the 1993 quarter an increase of \$2.7 million (45.1%).

The Company's Manufacturing Division revenues for the 1994 quarter of \$30.4 million increased \$16.7 million compared with the 1993 quarter and operating income increased \$1.7 million to \$3.3 million. The increase in revenues in the 1994 quarter is due to activities on new contracts received during 1993 and revenues of \$13.5 million generated by the businesses acquired in 1993, UNC Artex, UNC Johnson Technology, and UNC All Fab. The increase in operating income is principally attributable to the businesses acquired in 1993, partially offset by lower margins in other manufacturing operations.

Revenues for the Overhaul Division in the 1994 quarter increased \$0.7 million (1.5%) to \$45.7 million and operating income increased \$1.0 million (26.4%) to \$48 million. The improvement in revenues is due to an increase in business aviation and regional airline engine overhauls, revenues of \$1.1 million generated by UNC Metcalf acquired in 1993 and \$0.6 million from a leveraged lease transaction. Partially offsetting these increases were

decreases in JT8 overhaul revenues due to the Company's decision to withdraw from the third-party JT8 overhaul business in late 1993 and a reduction in accessory overhauls due to increased pricing pressures from existing competition. The improvement in operating income is due to increased volume in business aviation and regional airline engine overhauls, income provided by UNC Metcalf, improved margins due to the elimination of the JT8 business and income generated by a leveraged lease transaction. These increases were partially offset by lower accessory overhaul service income due to competitive pricing pressures.

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Aviation Services Division revenues of \$62.3 million increased \$38.1 million in the 1994 quarter. UNC Lear Siegler, acquired in October 1993, generated revenues of \$35.0 million while revenues of UNC Helicopter decreased \$0.5 million on lower volume. Revenues under U.S. government contracts to provide aviation training and maintenance increased \$5.6 million after adjusting for a \$2.0 million nonrecurring claim against the U.S. government (for costs incurred prior to 1993) which was recorded in the first quarter of 1993. The improvement in revenues is principally due to increased activities on new contracts received in 1993. Operating income increased \$2.2 million after adjusting for a \$2.0 million nonrecurring claim against the U.S. government recorded in the 1993 first quarter. The increase in operating income is principally due to earnings contributed by UNC Lear Siegler and higher volume of maintenance on U.S. government contracts.

Selling, general and administrative expenses in the 1994 quarter were \$16.0 million or 11.7% of sales compared with \$12.1 million or 14.6% of sales in the 1993 quarter. Although selling, general and administrative expenses decreased as a percentage of revenues, total costs increased in the 1994 quarter due to the expenses associated with companies acquired during 1993 and increased international marketing efforts.

Activity under the Company's contract service operations, which principally involve basic aviation training and maintenances of aircraft, appears to have stabilized in the short term after having declined in recent years as a result of reduction in defense spending. Continuation of this trend, however, cannot be assured as the Defense Department is continuing to close various military bases where the Company provides contract services. A portion of the workload of these bases is being relocated to bases where the Company already performs aircraft maintenance functions. Further consolidation of military training and maintenance contracts is expected as bases are eliminated and other defense cuts reduce the value of individual contracts. However, the Company expects that continued pressures on defense spending could increase the outsourcing of services currently being provided by military and other government personnel to lower costs contractors. Additional opportunities for work from Army, Air Force and Navy depots may result from the recommendations made by the Congressionally-mandated DoD-Industry Depot Maintenance Task Force on which UNC was represented. In February, the Company was low bidder on a contract to provide maintenance and logistic support to the Royal Saudi Naval Forces. This contract with total potential revenues over a three year period of approximately \$20 million, will expand the Company's presence in Saudi Arabia and offset possible additional future reductions in defense spending.

Continued effort on the part of the U.S. government to further reduce defense spending is affecting the demand for aircraft engines used in military applications and could have an impact on the Company's manufacturing operations. In an effort to reduce the potential effect of these reduction,

the Company's manufacturing operation have focused their marketing efforts for the past several years more on commercial rather than military products.

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The Company's original equipment manufacturer customers continue to reduce significantly their number of suppliers and their own procurement staffs. The Company's manufacturing operations remain a part of the reduced subcontractor base and as such have obtained new contracts that the Company believes may have not been available to the Company in the past when the base of suppliers was much larger. Although the Company's Manufacturing Division provided its principal customers with price concessions during 1992, 1993, and 1994 in anticipation of receiving additional future orders, the Company believes that increased volume from these anticipated additional orders, together with on-going productivity enhancement and cost reduction programs should compensate for the effect of the price concession. Furthermore, during the second half of the 1993 and the first quarter of 1994 the Company expanded its backlog as well as its customer base, by acquiring the contract backlog of two distressed or financially pressured competitors. The work-in-process of these contracts has been transferred to existing Company facilities along with the required tooling and inventories. The Company is continuing its efforts to acquire additional backlog from "carve-out" situations.

Interest expenses increased \$2.0 million principally due to higher average debt levels.

#### Liquidity and Capital Resources

-----  
Long-term debt, including current portion, was \$219.5 million at March 31, 1994 compared to \$197.3 million at December 31, 1993. The increase in long-term debt of \$22.2 million was a result of operating cash requirements of the first quarter, equipment acquired in connection with the acquisition of the Anadite contract backlog, completion of the expansion of facilities in connection with the award of the contract backlog previously performed by the Heintz Corporation, equipment purchases to implement new and improved manufacturing techniques and the purchase of tooling related to the engine overhaul business. The Company's debt-to-capitalization ratio at March 31, 1994 was 56.6% compared with 54.4% at December 31, 1993. The Company has a Revolving Credit Facility which provides for the availability of \$65 million, reduced by outstanding letters of credit which aggregated \$10.3 million at March 31, 1994. The unused availability under the facility was \$15.7 million at March 31, 1994. The Company is currently negotiating with its bank group to increase its Revolving Credit capacity. At March 31, 1994, the Company's working capital was \$171.2 million with a current ratio of 3.1 to 1 compared with \$150.2 million with a current ratio of 2.5 to 1 at December 31, 1993.

Capital expenditures in the first quarter of 1994 amounted to \$6.7 million compared with \$1.1 million in the first quarter of 1993. It is anticipated that capital expenditures for the remainder of 1994 will be less than depreciation and amortization expense and will be financed from internally generated funds, lease arrangements and revolving credit borrowings.

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#### PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits	Description
Exhibit 11	Computation of Earnings Per Common Share

(b) Reports on Form 8-K:

Report on Form 8-K dated March 1, 1994 concerning the decision reached between the Company and KPMG Peat Marwick that KPMG Peat Marwick would cease to serve as the Company's auditors effective February 22, 1994.

Report on Form 8-K dated March 24, 1994 concerning the appointment of Coopers & Lybrand to succeed the firm of KPMG Peat Marwick as the Company's independent accountants, subject to ratification by the shareholders at the annual meeting of shareholders held on April 29, 1994. (The appointment of Coopers & Lybrand was ratified by the shareholders at the annual meeting).

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UNC Incorporated and Subsidiaries

SIGNATURE

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

UNC Incorporated

Date: May 13, 1994

By: /s/ Robert L. Pevenstein

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Robert L. Pevenstein  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

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UNC Incorporated and Subsidiaries

SEQUENTIAL EXHIBIT INDEX

Exhibit Number	Description
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## EXHIBIT 11

UNC INCORPORATED AND SUBSIDIARIES  
Earnings Per Share  
(In thousands except per share amounts)

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S> Net earnings	 <C> \$ 2,462 =====	 <C> \$ 2,215 =====
Calculation of primary earnings per share:		
Average common shares outstanding during the year primary (1)	17,390 -----	17,303 -----
Earnings per share, primary:		
Net earnings	\$ .14 =====	\$ .13 =====
Calculation of fully diluted earnings per share:		
Average common shares outstanding during the year (1)	17,390	17,303
Increase in common stock equivalents: Stock options under treasury stock method	559 -----	368 -----
Adjusted average shares outstanding for the year fully diluted	17,949 -----	17,671 -----



Earnings per share, fully diluted:

Net earnings	\$ .14	\$ .13
	=====	=====

</TABLE>

(1) Exclusive of 700,000 treasury shares for all years presented.