
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 1-13782

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1001 Air Brake Avenue
Wilmerding, Pennsylvania 15148
(Address of principal executive offices, including zip code)

25-1615902
(IRS Employer
Identification No.)

(412) 825-1000
(Registrant's telephone number)

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

Title of Class
Common Stock, par value \$.01 per share

Name of Exchange on which registered
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 No .

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

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 .

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The registrant estimates that as of June 30, 2008, the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately \$2.2 billion based on the closing price on the New York Stock Exchange for such stock.

As of February 23, 2009, 47,996,857 shares of Common Stock of the registrant were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the registrant's Annual Meeting of Stockholders to be held on May 13, 2009 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

General

Westinghouse Air Brake Technologies Corporation, doing business as Wabtec Corporation, is a Delaware corporation with headquarters at 1001 Air Brake Avenue in Wilmerding, Pennsylvania. Our telephone number is 412-825-1000, and our website is located at www.wabtec.com. All references to “we”, “our”, “us”, the “Company” and “Wabtec” refer to Westinghouse Air Brake Technologies Corporation and its subsidiaries. Westinghouse Air Brake Company (“WABCO”) was formed in 1990 when it acquired certain assets and operations from American Standard, Inc., now known as Trane (“Trane”). In 1999, WABCO merged with MotivePower Industries, Inc. (“MotivePower”) and adopted the name Wabtec.

Today, Wabtec is one of the world’s largest providers of value-added, technology-based equipment and services for the global rail industry. We believe we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading position in North America for most of our other product lines. Our highly engineered products, which are intended to enhance safety, improve productivity and reduce maintenance costs for customers, can be found on virtually all U.S. locomotives, freight cars, subway cars and buses. In 2008, the Company had sales of approximately \$1.6 billion and net income of approximately \$130.6 million. Sales of aftermarket parts and services represented approximately 53% of total sales in 2008.

Industry Overview

The Company primarily serves the worldwide freight and passenger transit rail industries. As such, our operating results are largely dependent on the level of activity, financial condition and capital spending plans of the global railroad industry. Many factors influence the industry, including general economic conditions; rail traffic, as measured by freight tonnage and passenger ridership; government spending on public transportation; and investment in new technologies by freight and passenger rail systems. Customers outside of the U.S. accounted for approximately 41% of Wabtec’s sales in 2008.

According to a 2008 study by UNIFE, the Association of the European Rail Industry, the global market for railway products and services is more than \$100.0 billion. The three largest markets, which represent about 85% of the total market, are Europe, North America and Asia-Pacific. Over the next decade, Asia-Pacific is expected to be the fastest-growing region and to surpass the North American market.

In North America, railroads carry about 40% of intercity freight, as measured by ton-miles, which is more than any other mode of transportation. They are an integral part of the continent’s economy and transportation system, serving nearly every industrial, wholesale and retail sector. Through direct ownership and operating partnerships, U.S. railroads are part of an integrated network that includes railroads in Canada and Mexico, forming what is regarded as the world’s most-efficient and lowest-cost freight rail service. There are more than 500 railroads operating in North America, with the largest railroads, referred to as “Class I,” accounting for more than 90% of the industry’s revenues. Although the railroads carry a wide variety of commodities and goods, coal is the single-largest item, representing about 45% of carloadings in 2008. Intermodal traffic—the movement of trailers or containers by rail in combination with another mode of transportation—has been the railroads’ fastest-growing market segment in the past 10 years. Railroads operate in a competitive environment, especially with the trucking industry, and are always seeking ways to improve safety, cost and reliability. New technologies offered by Wabtec and others in the industry can provide some of these benefits.

Demand for our freight related products and services in North America are driven by a number of factors, including:

- *Rail traffic.* The Association of American Railroads (AAR) compiles statistics that gauge the level of activity in the freight rail industry. Two important statistics are revenue ton-miles and carloadings,

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which are generally referred to as “rail traffic”. In 2008, revenue ton-miles decreased 1.3% and carloadings decreased 3.2% as rail traffic was negatively impacted by the economic recession in the U.S.

- *Demand for new locomotives.* Currently, the active locomotive fleet for Class I railroads in North America is about 23,000 units. The average number of new locomotives delivered over the past 10 years was about 1,100 annually. In 2008, about 1,500 new, heavy-haul locomotives were delivered, compared to about 1,200 in 2007.
- *Demand for new freight cars.* Currently, the active freight car fleet in North America is about 1.3 million. The average number of new freight cars delivered over the past 10 years was about 54,000 annually. In 2008, about 60,000 new freight cars were delivered, compared to about 63,000 cars in 2007.

In the U.S., the passenger transit industry is dependent largely on funding from federal, state and local governments, and from fare box revenues. With about 40% of the nation’s passenger transit vehicles, the New York City region is the largest passenger transit market in the U.S., but most major cities also offer either rail or bus transit services.

Demand for North American passenger transit products is driven by a number of factors, including:

- *Government funding.* The U.S. federal government provides money to local transit authorities, primarily to fund the purchase of new equipment and infrastructure for their transit systems. Under a multi-year spending bill known as SAFETEA-LU, federal government funding increased on average by 6-8% annually since 2005. Due in part to this increased funding, the number of new and rebuilt transit cars delivered in 2008 increased to 1,569, compared to 1,044 in 2007; and the number of new buses delivered in 2008 increased to about 5,100, compared to about 4,800 in 2007. In the past 10 years, the average number of new transit cars delivered is about 600, and the average number of new buses delivered is about 4,800. SAFETEA-LU expires in September 2009, so the government is expected to discuss a new, multi-year spending plan during 2009. In February 2009, the U.S. federal government passed new spending legislation designed to stimulate the U.S. economy. Of the \$789 billion spending package, up to \$20 billion is to be spent on freight and passenger transportation, as follows: \$8.4 billion for public transportation, \$8 billion for high-speed rail, \$1.5 billion for discretionary intermodal projects, and \$1.3 billion for AMTRAK. The majority of this money is to be spent by September 2010. Wabtec expects to benefit from this additional spending, as transit authorities invest in expansion, new equipment and other related projects.
- *Ridership.* Ridership provides fare box revenues to transit authorities, which use these funds, along with state and local money, primarily for equipment and system maintenance. Based on preliminary figures from the American Public Transportation Association, ridership on U.S. transit vehicles increased about 5% in 2008, the sixth consecutive year that ridership has increased.

Outside of North America, many of the rail systems have historically been focused on passenger transit, rather than freight. In recent years, however, railroads in countries such as Australia, India and China have been investing capital to expand and improve both their freight and passenger rail systems. Throughout the world, some government-owned railroads are being sold to private owners, who often look to improve the efficiency of the rail system by investing in new equipment and new technologies. These investment programs represent opportunities for Wabtec to provide products and services.

In Europe, the majority of the rail system serves the passenger transit market, which is expected to continue growing as high fuel costs and environmental factors encourage investment in public mass transit. In addition, countries such as England are experiencing growth in the freight market due to an increasing market share compared to trucking. According to UNIFE, the European freight market consists of about 33,000 locomotives and about 700,000 freight cars.

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The Asia/Pacific market is expected to be the second-largest geographic segment by 2016, according to the UNIFE study. Growth is expected to be driven by the continued urbanization of countries such as China and India, and by investment in freight rail infrastructure to serve the mining and natural resources markets in those countries, as well as in Australia. According to UNIFE, this market consists of about 34,000 locomotives and about 1.0 million freight cars.

Business Segments and Products

We provide our products and services through two principal business segments, the Freight Group and the Transit Group, both of which have different market characteristics and business drivers. The Freight Group primarily manufactures and services components for new and existing freight cars and locomotives, builds new switcher locomotives and rebuilds freight locomotives. Customers include large, publicly traded railroads, leasing companies and manufacturers of original equipment such as locomotives and freight cars around the world. As discussed previously, demand in the freight market is primarily driven by rail traffic, and deliveries of new locomotives and freight cars. In 2008, the Freight Group accounted for 49% of our total sales, with the majority of its sales in North America and about half of its sales in the aftermarket.

The Transit Group primarily manufactures and services components for new and existing passenger transit vehicles, typically subway cars and buses, builds new commuter locomotives and refurbishes subway cars. Customers include public transit authorities and municipalities, leasing companies and manufacturers of subway cars and buses around the world. As discussed previously, demand in the transit market is primarily driven by government funding at all levels and passenger ridership. In 2008, the Transit Group accounted for 51% of our total sales, with the majority of its sales outside of North America and about half of its sales in the aftermarket.

Following is a summary of our leading product lines across both of our business segments:

- Railway braking equipment and related components
- Freight car truck components and undercarriage components
- Draft gears, couplers and slack adjusters
- Air compressors and dryers
- Positive train control equipment and electronically controlled pneumatic braking products
- Railway electronics, including event recorders, monitoring equipment and end of train devices
- Friction products, including brake shoes and pads
- Rail and bus door assemblies
- Accessibility lifts and ramps for buses and subway cars
- Heat exchangers and cooling products for locomotives and power generation equipment
- Commuter and switcher locomotives
- Transit car and locomotive overhauls

We have become a leader in the rail industry by capitalizing on the strength of our existing products, technological capabilities and new product innovation, and by our ability to harden products to protect them from severe conditions, including extreme temperatures and high-vibration environments. Over the past several years, we introduced a number of significant new products including electronic braking equipment and train control equipment that encompasses onboard digital data and global positioning communication protocols. In 2007, for example, the Federal Railroad Administration (FRA) approved the use of our Electronic Train Management System[®], which offers safety benefits to the rail industry. In 2008, the U.S. federal government enacted a rail safety bill that mandates the use of positive train control technology on a majority of the locomotives and track in

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the U.S. by December 31, 2015, and Wabtec is working with the railroads to implement this technology. Supported by our technical staff of over 600 engineers and specialists, we have extensive experience in a broad range of product lines, which enables us to provide comprehensive, systems-based solutions for our customers. We currently own over 1,500 active patents worldwide and over 600 U.S. patents. During the last three years, we have filed for more than 340 patents worldwide in support of our new and evolving product lines.

For additional information on our business segments, see Note 20 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

Competitive Strengths

Our key strengths include:

- *Leading market positions in core products.* Dating back to 1869 and George Westinghouse’s invention of the air brake, we are an established leader in the development and manufacture of pneumatic braking equipment for freight and passenger transit vehicles. We have leveraged our leading position by focusing on research and engineering to expand beyond pneumatic braking components to supplying integrated parts and assemblies for the locomotive through the end of the train. We are a recognized leader in the development and production of electronic recording, measuring and communications systems, highly engineered compressors and heat exchangers for locomotives and a leading manufacturer of freight car components, including electronic braking equipment, draft gears, trucks, brake shoes and electronic end-of-train devices. We are also the leading manufacturer of commuter locomotives and a leading provider of braking equipment, door assemblies, lifts and ramps, and couplers for passenger transit vehicles.
- *Breadth of product offering with a stable mix of OEM and aftermarket business.* Our product portfolio is one of the broadest in the rail industry, as we offer a wide selection of quality parts, components and assemblies across the entire train. We believe this comprehensive product offering enables us to leverage our installed base to maintain our leadership position with OEMs and the Class I railroads. We provide our products in both the original equipment market and the aftermarket. Our substantial installed base of products with end-users such as the railroads and the passenger transit authorities is a significant competitive advantage for providing products and services to the aftermarket because these customers often look to purchase safety and performance-related replacement parts from the original equipment components supplier. In addition, as OEMs and Class I railroad operators attempt to modernize fleets with new products designed to improve and maintain safety and efficiency, these products must be designed to be interoperable with existing equipment. Over the last several years, about 50% of our total net sales have come from our aftermarket products and services business.
- *Leading design and engineering capabilities.* We believe a hallmark of our relationship with our customers has been our leading design and engineering practice, which has, in our opinion, assisted in the improvement and modernization of global railway equipment. We believe both our customers and the government authorities value our technological capabilities and commitment to innovation, as we seek not only to enhance the efficiency and profitability of our customers, but also to improve the overall safety of the railways through continuous improvement of product performance. The Company has an established record of product improvements and new product development. We have assembled a wide range of patented products, which we believe provides us with a competitive advantage. Wabtec currently owns over 1,500 active patents worldwide and over 600 U.S. patents. During the last three years, we have filed for more than 340 patents worldwide in support of our new and evolving product lines.
- *Experience with industry regulatory requirements.* The U.S. rail industry is governed by the AAR and by the FRA. These groups mandate rigorous manufacturer certification and new product testing and approval processes that we believe are difficult for new entrants to meet cost-effectively and efficiently without the scale and extensive experience we possess.

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- *Experienced management team and the Wabtec Performance System.* Our executive management team has over 50 years of combined experience with the Company and has implemented numerous initiatives that enable us to manage successfully through cycles in the rail supply market. For example, the Wabtec Performance System (WPS), an ongoing program that focuses on “lean manufacturing” principles and continuous improvement across all aspects of our business, has been a part of the company’s culture for nearly 20 years. As a result, our management team has improved our cost structure, operating leverage and financial flexibility and placed us in an excellent position to benefit from growth opportunities.

Business strategy

Using WPS, we strive to generate sufficient cash to invest in our growth strategies and to build on what we consider to be a leading position as a low-cost producer in the industry while maintaining world-class product quality, technology and customer responsiveness. Through WPS and employee-directed initiatives such as Kaizen, a Japanese-developed team concept, we strive to improve quality, delivery and productivity continuously, and to reduce costs. These efforts enable us to streamline processes, improve product reliability and customer satisfaction, reduce product cycle times and respond more rapidly to market developments. Over time, we expect these lean initiatives to enable us to increase operating margins, which would improve cash flow and strengthen our ability to invest in the following growth strategies:

- *Expand globally and into new product markets.* We believe that international markets represent a significant opportunity for future growth. In 2008, sales to non-U.S. customers increased to \$644.6 million, including export sales from the Company’s U.S. operations of \$261.8 million. We intend to increase our existing international sales through strategic acquisitions, direct sales of products through our existing subsidiaries and licensees, and joint ventures with railway suppliers having a strong presence in their local markets. We are specifically targeting markets that operate significant fleets of U.S.-style locomotives and freight cars, including Australia, China, India, Russia, South Africa, and select areas within Europe and South America. In support of this strategy, in 2008 Wabtec acquired POLI S.p.A., a European-based manufacturer of rail braking equipment; and the Company made investments in China and South Africa. In addition, we have opportunities to sell certain products that we currently manufacture for the rail industry into other industrial markets, such as mining, off-highway and energy. These products include heat exchangers and friction materials.
- *Expand aftermarket sales.* Historically, aftermarket sales are less cyclical than OEM sales because a certain level of aftermarket maintenance and service work must be performed, even during an industry slowdown. In 2008, Wabtec’s aftermarket sales represented approximately 53% of the Company’s total sales. Wabtec provides aftermarket parts and services for its components, and the Company is seeking to expand this business with new customers such as short-line and regional railroads, or with customers who currently perform the work in-house. In this way, we expect to take advantage of the rail industry trend toward outsourcing, as railroads and transit authorities focus on their core function of transporting goods and people, rather than maintaining and servicing their equipment.
- *Accelerate new product development.* We continue to emphasize research and development funding to create new and improved products. We are focusing on technological advances, especially in the areas of electronics, braking products and other on-board equipment, as a means of new product growth. We seek to provide customers with incremental technological advances that offer immediate benefits with cost-effective investments. To further enhance our product development on October 27, 2008 the Company acquired certain assets related to the development, sale, service, and maintenance of software programs used in train management systems for \$4.5 million. In 2008, the U.S. federal government passed new legislation that mandates the use of positive train control on a majority of U.S. locomotives and track by December 31, 2015. Wabtec is currently the leading supplier with a train control product, our Electronic Train Management System[®], that is approved for use by the Federal Railroad Administration. As such, Wabtec is working with all Class I railroads in the U.S. to develop and implement the technology.

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- *Seek acquisitions, joint ventures and alliances.* We are exploring acquisition, joint venture and alliance opportunities using a disciplined, selective approach and rigorous financial criteria. We seek companies that will help Wabtec to grow profitably and expand geographically, while helping to dampen any impact from potential cycles in the North American rail industry. In 2008, Wabtec acquired Standard Car Truck Company, a U.S.-based manufacturer of rail equipment; and POLI, a European-based manufacturer of rail braking equipment.

Recent Acquisitions and Joint Ventures

In 2008, Wabtec completed three acquisitions and three investments in support of its growth strategies. On December 5, 2008, the Company acquired 100% of the stock of Standard Car Truck Company for \$302.9 million, net of cash received. Standard Car Truck is a leading manufacturer and designer of stabilization systems for freight cars, including engineered truck (undercarriage) components such as springs, friction wedges and wear plates. Its Barber® brand truck design is used throughout the world and holds a leading share of the North American market. The company also manufactures and services locomotives components, including compressors and pumps. We believe that the combination of Wabtec braking products with Standard Car Truck's undercarriage products will lead to a competitive advantage over time for the Company.

On October 27, 2008, the Company acquired certain assets related to the development, sale, service, and maintenance of software programs used in train management systems for \$4.5 million.

On June 30, 2008, the Company acquired 100% of the stock of POLI S.p.A. ("POLI") for €52.2 million (\$82.3 million), net of cash received. POLI is a European-based manufacturer of rail braking equipment including brake discs for high-speed applications, as well as tread brake units and pneumatic brake valves that meet International Union of Railways ("UIC") standards. Because of its historic focus on the North American market, Wabtec did not previously offer products to meet UIC standards. Wabtec expects to benefit over time from POLI's UIC-approved products, as well as the future development and certification of additional products.

During 2008, Wabtec expanded its presence in key geographic areas. Wabtec acquired the majority of Beijing Wabtec Huaxia Technology Company, Ltd, which manufactures friction products for the freight car market and invested in a joint venture in China to manufacture other braking-related components. In addition, the Company formed a joint venture in South Africa to manufacture friction products.

In 2006 and 2007, Wabtec completed three acquisitions. In June 2007, the Company acquired 100% of the stock of Ricon Corporation ("Ricon"), a manufacturer of a variety of electro-mechanical wheelchair lifts and ramps and anti-graffiti windows for \$73.6 million. In December 2006, the Company acquired 100% of the stock of Becorit GmbH ("Becorit"), a manufacturer of a variety of brake shoes, pads and friction linings for passenger transit cars, freight cars and locomotives, and friction products for industrial markets such as mining and wind power generation for \$51.3 million. In October 2006, the Company acquired 100% of the stock of Schaefer Equipment, Inc. ("Schaefer"), a manufacturer of a variety of forged components for body-mounted and truck-mounted braking systems for \$36.7 million.

Backlog

The Company's backlog was approximately \$1.1 billion at December 31, 2008 as additional contracts booked in the Transit Group offset a reduction in backlog for the Freight Group.

In 2008, about 53% of our sales came from aftermarket orders, which typically carry lead times of less than 30 days, so they are not recorded in backlog for a significant period of time. As such, the Company's backlog is mostly an indicator of future original equipment sales, primarily for the Transit Group, not expected aftermarket activity.

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The Company's contracts are subject to standard industry cancellation provisions, including cancellations on short notice or upon completion of designated stages. Substantial scope-of-work adjustments are common. For these and other reasons, completion of the Company's backlog may be delayed or cancelled. The railroad industry, in general, has historically been subject to fluctuations due to overall economic conditions and the level of use of alternative modes of transportation.

The backlog of firm customer orders as of December 31, 2008, and December 31, 2007, and the expected year of completion are as follows:

In thousands	Total Backlog 12/31/08	Expected Delivery		Total Backlog 12/31/07	Expected Delivery	
		2009	Other Years		2008	Other Years
Freight Group	\$ 195,717	\$ 148,617	\$ 47,100	\$ 224,917	\$ 153,738	\$ 71,179
Transit Group	865,005	417,014	447,991	796,251	378,691	417,560
Total	<u>\$ 1,060,722</u>	<u>\$ 565,631</u>	<u>\$ 495,091</u>	<u>\$ 1,021,168</u>	<u>\$ 532,429</u>	<u>\$ 488,739</u>

Engineering and Development

To execute our strategy to develop new products, we invest in a variety of engineering and development activities. For the fiscal years ended December 31, 2008, 2007, and 2006, we invested about \$39.0 million, \$37.4 million and \$32.7 million, respectively, on product development and improvement activities. Approximately 40% of these costs comprise of activities devoted to new product development in any given year. These engineering and development expenditures, in total, represent about 2.5%, 2.8% and 3.0% of net sales for the same periods, respectively. Sometimes we conduct specific research projects in conjunction with universities, customers and other railroad product suppliers.

Our engineering and development program is largely focused upon train control and new braking technologies, with an emphasis on applying electronics to traditional pneumatic equipment. Electronic braking has been used in the transit industry for years, and freight railroads are beginning to conduct pilot programs to test its reliability and benefits. Freight railroads have generally been slower to accept the technology due to issues over interoperability, connectivity and durability. We are proceeding with efforts to enhance the major components for existing hard-wired braking equipment and development of new electronic technologies for the freight railroads.

We use our Product Development System (PDS) to develop and monitor new product programs. The system requires the product development team to follow consistent steps throughout the development process, from concept to launch, to ensure the product will meet customer expectations and internal profitability targets.

Intellectual Property

We have more than 1,500 active patents worldwide. We also rely on a combination of trade secrets and other intellectual property laws, nondisclosure agreements and other protective measures to establish and protect our proprietary rights in our intellectual property.

Certain trademarks, among them the name WABCO®, were acquired or licensed from American Standard Inc., now known as Trane, in 1990 at the time of our acquisition of the North American operations of the Railway Products Group of Trane. Other trademarks have been developed through the normal course of business, or acquired as a part of our ongoing merger and acquisition program.

We have entered into a variety of license agreements as licensor and licensee. We do not believe that any single license agreement is of material importance to our business or either of our business segments as a whole.

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We have issued licenses to the two sole suppliers of railway air brakes and related products in Japan, Nabtesco and Mitsubishi Electric Company. The licensees pay annual license fees to us and also assist us by acting as liaisons with key Japanese passenger transit vehicle builders for projects in North America. We believe that our relationships with these licensees have been beneficial to our core transit business and customer relationships in North America.

Customers

Our customers include railroads throughout North America, as well as in the United Kingdom, Australia, Europe, Asia and South Africa; manufacturers of transportation equipment, such as locomotives, freight cars, subway vehicles and buses; lessors of such equipment; and passenger transit authorities, primarily those in North America.

In 2008, approximately 41% of our sales were to customers outside the U.S. and to 104 countries throughout the world. Approximately 53% of our sales were in the aftermarket, with the rest of our sales to OEMs of locomotives, freight cars, subway vehicles and buses.

Our top customers can change from year to year. For the fiscal year ended December 31, 2008, our top five customers, Greater Toronto Transit Authority (GO Transit), GE Transportation Systems, Maryland Department of Transportation, Trinity Industries, and Alstom, accounted for 27% of our net sales. No one customer represents 10% or more of consolidated sales. We believe that we have strong relationships with all of our key customers.

Competition

We believe that we hold approximately a 50% market share in North America for our primary braking-related equipment and a leading market position in North America for most of our other product lines. On a global basis, our market shares are generally much smaller. We operate in a highly competitive marketplace. Price competition is strong because we have a relatively small number of customers and they are very cost-conscious.

In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery, and customer service and support.

Our principal competitors vary to some extent across product lines, but most competitors tend to be privately held companies. Within North America, New York Air Brake Company, a subsidiary of the German air brake producer Knorr-Bremse AG, is our principal overall OEM competitor. Our competition for locomotive, freight and passenger transit service and repair is primarily from the railroads' and passenger transit authorities' in-house operations, Electro-Motive Diesel, GE Transportation Systems, and New York Air Brake/Knorr. We believe our key strengths, which include leading market positions in core products, breadth of product offering with a stable mix of OEM and aftermarket business, leading design and engineering capabilities, significant barriers to entry and an experienced management team enable us to compete effectively in this marketplace.

Employees

At December 31, 2008, we had 7,295 full-time employees, approximately 32% of whom were unionized. A majority of the employees subject to collective bargaining agreements are within North America and these agreements generally extend through 2009, 2010, 2011, and 2012. Agreements expiring in 2009 cover approximately 19% of the Company's workforce. We consider our relations with our employees and union representatives to be good, but cannot assure that future contract negotiations will be favorable to us.

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Regulation

In the course of our operations, we are subject to various regulations of agencies and other entities. In the United States, these include principally the FRA and the AAR. The FRA administers and enforces federal laws and regulations relating to railroad safety. These regulations govern equipment and safety standards for freight cars and other rail equipment used in interstate commerce. The AAR oversees a wide variety of rules and regulations governing safety and design of equipment, relationships among railroads with respect to railcars in interchange and other matters. The AAR also certifies railcar builders and component manufacturers that provide equipment for use on railroads in the United States. New products generally must undergo AAR testing and approval processes. As a result of these regulations and those stipulated in other countries in which we derive our revenues, we must maintain certain certifications as a component manufacturer and for products we sell.

Effects of Seasonality

Our business is not typically seasonal, although the third quarter results may be impacted by vacation and plant shutdowns at several of our major customers during this period.

Environmental Matters

Information on environmental matters is included in Note 19 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

Available Information

We maintain an Internet site at www.wabtec.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as the annual report to stockholders and other information, are available free of charge on this site. The Internet site and the information contained therein or connected thereto are not incorporated by reference into this Form 10-K. Our Corporate Governance Guidelines, the charters of our Audit, Compensation and Nominating and Corporate Governance Committees, our Code of Conduct, which is applicable to all employees, and our Code of Ethics for Senior Officers, which is applicable to all of our executive officers, are also available free of charge on this site and are available in print to any shareholder who requests them.

Item 1A. Risk Factors.

Prolonged unfavorable economic and market conditions could adversely affect our business.

Unfavorable general economic and market conditions in the United States and internationally (including as a result of terrorist activities and the military response by the United States and other countries) could have a negative impact on our sales and operations. To the extent that these factors result in continued instability of capital markets, shortages of raw materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected.

We are dependent upon key customers.

We rely on several key customers who represent a significant portion of our business. Our top customers can change from year to year. For the fiscal year ended December 31, 2008, our top five customers, Greater Toronto Transit Authority (GO Transit), GE Transportation Systems, Maryland Department of Transportation, Trinity Industries, and Alstom, accounted for 27% of our net sales. While we believe our relationships with our customers are generally good, our top customers could choose to reduce or terminate their relationships with us. In addition, many of our customers place orders for products on an as needed basis and operate in cyclical

industries. As a result, their order levels have varied from period to period in the past and may vary significantly in the future. Such customer orders are dependent upon their markets and customers, and may be subject to delays and cancellations. As a result of our dependence on our key customers, we could experience a material adverse effect on our business, results of operations and financial condition if we lost any one or more of our key customers or if there is a reduction in their demand for our products.

Our business operates in a highly competitive industry.

We operate in a competitive marketplace and face substantial competition from a limited number of established competitors in the United States and abroad, some of which may have greater financial resources than we do. Price competition is strong and, coupled with the existence of a number of cost conscious purchasers, has historically limited our ability to increase prices. In addition to price, competition is based on product performance and technological leadership, quality, reliability of delivery and customer service and support. There can be no assurance that competition in one or more of our markets will not adversely affect us and our results of operations.

We intend to pursue acquisitions, joint ventures and alliances that involve a number of inherent risks, any of which may cause us not to realize anticipated benefits.

One aspect of our business strategy is to selectively pursue acquisitions, joint ventures and alliances that we believe will improve our market position, and provide opportunities to realize operating synergies. These transactions involve inherent risks and uncertainties, any one of which could have a material adverse effect on our business and results of operations, including:

- difficulties in achieving identified financial and operating synergies, including the integration of operations, services and products;
- diversion of Management's attention from other business concerns;
- the assumption of unknown liabilities; and
- unanticipated changes in the market conditions, business and economic factors affecting such an acquisition.

We cannot assure that we will be able to consummate any future acquisitions, joint ventures or other business combinations. If we are unable to identify suitable acquisition candidates or to consummate strategic acquisitions, we may be unable to fully implement our business strategy, and our business and results of operations may be adversely affected as a result. In addition, our ability to engage in strategic acquisitions will be dependent on our ability to raise substantial capital, and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all.

As we introduce new products and services, a failure to predict and react to consumer demand could adversely affect our business.

We have dedicated significant resources to the development, manufacturing and marketing of new products. Decisions to develop and market new transportation products are typically made without firm indications of customer acceptance. Moreover, by their nature, new products may require alteration of existing business methods or threaten to displace existing equipment in which our customers may have a substantial capital investment. There can be no assurance that any new products that we develop will gain widespread acceptance in the marketplace or that such products will be able to compete successfully with other new products or services that may be introduced by competitors.

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Our revenues are subject to cyclical variations in the railway and passenger transit markets and changes in government spending.

The railway industry historically has been subject to significant fluctuations due to overall economic conditions, the use of alternate methods of transportation and the levels of federal, state and local government spending on railroad transit projects. In economic downturns, railroads have deferred, and may defer, certain expenditures in order to conserve cash in the short term. Reductions in freight traffic may reduce demand for our replacement products.

The passenger transit railroad industry is also cyclical. New passenger transit car orders vary from year to year and are influenced greatly by major replacement programs and by the construction or expansion of transit systems by transit authorities. A substantial portion of our net sales have been, and we expect that a material portion of our future net sales may be, derived from contracts with metropolitan transit and commuter rail authorities and Amtrak. To the extent that future funding for proposed public projects is curtailed or withdrawn altogether as a result of changes in political, economic, fiscal or other conditions beyond our control, such projects may be delayed or cancelled, resulting in a potential loss of business for us, including transit aftermarket and new transit car orders. There can be no assurance that economic conditions will be favorable or that there will not be significant fluctuations adversely affecting the industry as a whole and, as a result, us.

A growing portion of our sales may be derived from our international operations, which exposes us to certain risks inherent in doing business on an international level.

In fiscal year 2008, approximately 41% of our consolidated net sales were to customers outside of the U.S. and we intend to continue to expand our international operations in the future. We currently conduct our international operations through a variety of wholly and majority-owned subsidiaries and joint ventures in Australia, Canada, China, France, Germany, India, Italy, Kunta Hora, Macedonia, Malaysia, Mexico, Poland, Spain, South Africa, and the United Kingdom. As a result, we are subject to various risks, any one of which could have a material adverse effect on those operations and on our business as a whole, including:

- lack of complete operating control;
- lack of local business experience;
- currency exchange fluctuations and devaluations;
- foreign trade restrictions and exchange controls;
- difficulty enforcing agreements and intellectual property rights;
- the potential for nationalization of enterprises; and
- economic, political and social instability and possible terrorist attacks against American interests.

In addition, certain jurisdictions have laws that limit the ability of non-U.S. subsidiaries and their affiliates to pay dividends and repatriate cash flows.

We may incur increased costs due to fluctuations in interest rates and foreign currency exchange rates.

In the ordinary course of business, we are exposed to increases in interest rates that may adversely affect funding costs associated with variable-rate debt and changes in foreign currency exchange rates. We may seek to minimize these risks through the use of interest rate swap contracts and currency hedging agreements. There can be no assurance that any of these measures will be effective. Any material changes in interest or exchange rates could result in material losses to us.

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We may have liability arising from asbestos litigation.

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Over the last four years, the overall number of new claims filed has significantly decreased as compared to the previous four year period; however, the resolution of these new claims, and all previously filed claims, may take a significant period of time. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation (RFPC), and are based on a product sold by RFPC prior to the time that the Company acquired any interest in RFPC.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that retain the liabilities for the asbestos-containing products at issue. We cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with other pending litigation, cannot be estimated.

It is Management's belief that the potential range of loss for asbestos-related bodily injury cases is not reasonably determinable at present due to a variety of factors, including: (1) the limited asbestos case settlement history of the Company's wholly owned subsidiary, RFPC; (2) the unpredictable nature of personal injury litigation in general; and (3) the uncertainty of asbestos litigation in particular. Despite this uncertainty, and although the results of the Company's operations and cash flows for any given period could be adversely affected by asbestos-related lawsuits, Management believes that the final resolution of the Company's asbestos-related cases will not be material to the Company's overall financial position, results of operations and cash flows. In general, this belief is based upon: (1) Wabtec's and RFPC's limited history of settlements and dismissals of asbestos-related cases to date; (2) the inability of many plaintiffs to establish any exposure or causal relationship to RFPC's product; and (3) the inability of many plaintiffs to demonstrate any identifiable injury or compensable loss.

More specifically, as to RFPC, Management's belief that any losses due to asbestos-related cases would not be material is also based on the fact that RFPC owns insurance which provides coverage for asbestos-related bodily injury claims. To date, RFPC's insurers have provided RFPC with defense and indemnity in these actions. As to Wabtec and its divisions, Management's belief that asbestos-related cases will not have a material impact is also based on its position that it has no legal liability for asbestos-related bodily injury claims, and that the former owners of Wabtec's assets retained asbestos liabilities for the products at issue. To date, Wabtec has been able to successfully defend itself on this basis, including two arbitration decisions and a judicial opinion, all of which confirmed Wabtec's position that it did not assume any asbestos liabilities from the former owners of certain Wabtec assets. Although Wabtec has incurred defense and administrative costs in connection with asbestos bodily injury actions, these costs have not been material, and the Company has no information that would suggest these costs would become material in the foreseeable future.

We are subject to a variety of environmental laws and regulations.

We are subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. We believe our operations currently comply in all material respects with all of the various environmental laws and regulations applicable to our business; however, there can be no assurance that environmental requirements will not change in the future or that we will not incur significant costs to comply with such requirements.

Our manufacturer's warranties or product liability may expose us to potentially significant claims.

We warrant the workmanship and materials of many of our products. Accordingly, we are subject to a risk of product liability or warranty claims in the event that the failure of any of our products results in personal

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injury or death, or does not conform to our customers' specifications. In addition, in recent years, we have introduced a number of new products for which we do not have the same level of historical warranty experience. Although we have not had any material product liability or warranty claims made against us and we currently maintain liability insurance coverage, we cannot assure that product liability claims, if made, would not exceed our insurance coverage limits or that insurance will continue to be available on commercially acceptable terms, if at all. The possibility exists for these types of warranty claims to result in costly product recalls, significant repair costs and damage to our reputation.

Labor disputes may have a material adverse effect on our operations and profitability.

We collectively bargain with labor unions that represent approximately 32% of our employees. Our current collective bargaining agreements generally extend through 2009, 2010, 2011, and 2012. Agreements expiring in 2009 cover approximately 19% of the Company's workforce. Failure to reach an agreement could result in strikes or other labor protests which could disrupt our operations. If we were to experience a strike or work stoppage, it would be difficult for us to find a sufficient number of employees with the necessary skills to replace these employees. We cannot assure that we will reach any such agreement or that we will not encounter strikes or other types of conflicts with the labor unions of our personnel. Such labor disputes could have an adverse effect on our business, financial condition or results of operations, could cause us to lose revenues and customers and might have permanent effects on our business.

From time to time we are engaged in contractual disputes with our customers.

From time to time, we are engaged in contractual disputes with our customers regarding routine delivery and performance issues as well as adjustments for design changes and related extra work. These disputes are generally resolved in the ordinary course of business without having a material adverse impact on us.

Our indebtedness could adversely affect our financial health.

At December 31, 2008, we have total debt of \$387.1 million. If it becomes necessary to access our available borrowing capacity under the 2008 Refinancing Credit Agreement, along with carrying the \$236.0 million currently borrowed under this facility and the \$150 million 6 7/8% senior notes, being indebted could have important consequences to us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds.

The indenture for our \$150 million 6 7/8% senior notes due in 2013 and our 2008 Refinancing Credit Agreement contain various covenants that limit our Management's discretion in the operation of our businesses.

The indenture governing the notes and our credit agreement contain various covenants that limit our Management's discretion.

The 2008 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2008

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Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations and sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; capital expenditures; and imposes a minimum interest expense coverage ratio and a maximum debt to cash flow ratio.

The indenture under which the senior notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

The integration of our recently completed acquisitions may not result in anticipated improvements in market position or the realization of anticipated operating synergies or may take longer to realize than expected.

In 2007 and 2008, we completed the acquisition of 100% of the stock of Ricon, Poli and Standard Car Truck for a combined \$458.8 million, net of cash received. Although we believe that the acquisitions will improve our market position and realize positive operating results, including operating synergies, operating expense reductions and overhead cost savings, we cannot be assured that these improvements will be obtained. The management and acquisition of businesses involves substantial risks, any of which may result in a material adverse effect on our business and results of operations, including:

- the uncertainty that an acquired business will achieve anticipated operating results;
- significant expenses to integrate;
- diversion of Management's attention;
- departure of key personnel from the acquired business;
- effectively managing entrepreneurial spirit and decision-making;
- integration of different information systems;
- unanticipated costs and exposure to unforeseen liabilities; and
- impairment of assets.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

Facilities

The following table provides certain summary information about the principal facilities owned or leased by the Company. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs. Leases on the facilities are long-term and generally include options to renew. The Company's corporate headquarters are located at the Wilmerding, PA site.

<u>Location</u>	<u>Primary Use</u>	<u>Segment</u>	<u>Own/Lease</u>	<u>Approximate Square Feet</u>
Domestic				
Wilmerding, PA	Manufacturing/Service	Freight	Own	365,000(1)
Lexington, TN	Manufacturing	Freight	Own	170,000
Jackson, TN	Manufacturing	Freight	Own	150,000
Chicago, IL	Manufacturing	Freight	Own	123,140
Warren, OH	Manufacturing	Freight	Own	102,650
Greensburg, PA	Manufacturing	Freight	Own	97,800
Coshocton, OH	Manufacturing/Warehouse/Office	Freight	Own	83,000
Germantown, MD	Manufacturing	Freight	Own	80,000
Gibsonia, PA	Manufacturing/Office	Freight	Own	16,160
Chillicothe, OH	Manufacturing/Office	Freight	Lease	104,000
Kansas City, MO	Service Center	Freight	Lease	95,900
Pittsburgh, PA	Manufacturing	Freight	Lease	90,000
Bensenville, IL	Manufacturing/Warehouse/Office	Freight	Lease	66,200
Strongsville, OH	Manufacturing/Warehouse/Office	Freight	Lease	62,000
Columbia, SC	Service Center	Freight	Lease	40,250
Cedar Rapids, IA	Manufacturing	Freight	Lease	37,000
St. Joseph, MI	Manufacturing/Warehouse	Freight	Lease	33,625
Carson City, NV	Service Center	Freight	Lease	22,000
Montgomery, IL	Warehouse/Office	Freight	Lease	20,000
Harvey, IL	Service Center	Freight	Lease	19,200
Park Ridge, IL	Office	Freight	Lease	15,150
Jackson, TN	Warehouse	Freight	Lease	6,000
Oak Creek, WI	Engineering/Admin	Freight	Lease	5,000
Boulder, CO	Engineering/Admin	Freight	Lease	3,400
Omaha, NE	Office	Freight	Lease	1,470
Azle, TX	Office	Freight	Lease	1,400
Burr Ridge, IL	Service Center	Freight	Lease	1,050
Maxton, NC	Manufacturing	Freight /Transit	Own	105,000
Willits, CA	Manufacturing	Freight /Transit	Own	70,000
Boise, ID	Manufacturing	Freight /Transit	Own	326,000
Panorama City, CA	Manufacturing	Transit	Lease	200,000
Spartanburg, SC	Manufacturing/Service	Transit	Lease	183,600
Buffalo Grove, IL	Manufacturing	Transit	Lease	115,570
Plattsburgh, NY	Manufacturing	Transit	Lease	64,000
Elmsford, NY	Service Center	Transit	Lease	28,000
Spartanburg, SC	Warehouse	Transit	Lease	20,000
Elkhart, IN	Warehouse	Transit	Lease	8,000
Sun Valley, CA	Service Center	Transit	Lease	4,000
Doraville, GA	Sales Office	Transit	Lease	1,720
San Pablo, CA	Office	Transit	Lease	550

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<u>Location</u>	<u>Primary Use</u>	<u>Segment</u>	<u>Own/Lease</u>	<u>Approximate Square Feet</u>
New Castle, DE	Sales Office	Transit	Lease	400
Concord, PA	Sales Office	Transit	Lease	355
Hillendale, MD	Sales Office	Transit	Lease	350
Mountaintop, PA	Vacant Land Available for Sale		Own	N/A
International				
Stoney Creek (Ontario), Canada	Manufacturing/Service	Freight	Own	189,200
Wallaceburg (Ontario), Canada	Foundry	Freight	Own	117,600
San Luis Potosi, Mexico	Manufacturing/Service	Freight	Own	73,100
Skopje, Macedonia	Manufacturing/Office	Freight	Own	20,000
Shanghai, China	Manufacturing	Freight	Lease	360,505
Beijing, China	Manufacturing	Freight	Lease	53,819
Kolkata, India	Manufacturing	Freight	Lease	36,965
Lachine (Quebec), Canada	Service Center	Freight	Lease	17,000
Rydalme, Australia	Office	Freight	Lease	14,786
Calgary (Alberta), Canada	Service Center	Freight	Lease	14,400
Sydney, Australia	Manufacturing	Freight	Lease	11,250
Beijing, China	Office	Freight	Lease	3,545
Kuala Lumpur, Malaysia	Office	Freight	Lease	2,655
Shanghai, China	Office	Freight	Lease	1,245
Karlov, Kutna Hora	Warehouse	Freight	Lease	532
Kilkcaldy, Fife, UK	Office	Freight	Lease	200
Doncaster, UK	Manufacturing/Service	Freight /Transit	Own	330,000
Wetherill Park, Australia	Manufacturing	Freight /Transit	Lease	70,600
Johannesburg, South Africa	Manufacturing	Freight /Transit	Lease	11,840
Avellino, Italy	Manufacturing/Office	Transit	Own	132,495
St. Laurent (Quebec), Canada	Manufacturing	Transit	Own	106,000
Recklinghausen, Germany	Manufacturing	Transit	Own	86,390
Camisano, Italy	Manufacturing/Office	Transit	Lease	136,465
Sassuolo, Italy	Manufacturing	Transit	Lease	30,000
Droylsden, UK	Manufacturing/Office	Transit	Lease	22,500
Aachen, Germany	Office	Transit	Lease	1,130
Vierzon, France	Office	Transit	Lease	1,076
Derby, UK	Office	Transit	Lease	850
Warsaw, Poland	Office	Transit	Lease	775
Essen, Germany	Office	Transit	Lease	150
Barcelona, Spain	Office	Transit	Lease	110

(1) Approximately 250,000 square feet are currently used in connection with the Company's corporate and manufacturing operations. The remainder is leased to third parties.

Item 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings is included in Note 19 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table provides information on our executive officers. They are elected periodically by our Board of Directors and serve at its discretion.

<u>Officers</u>	<u>Age</u>	<u>Position</u>
Albert J. Neupaver	58	President and Chief Executive Officer
Alvaro Garcia-Tunon	56	Senior Vice President, Chief Financial Officer and Secretary
Raymond T. Betler	53	Vice President, Group Executive
R. Mark Cox	41	Vice President, Corporate Development
Patrick D. Dugan	42	Vice President, Finance and Corporate Controller
Keith P. Hildum	46	Vice President and Treasurer
Charles F. Kovac	52	Vice President, Group Executive
Richard A. Mathes	54	Vice President, Group Executive
David M. Seitz	44	Vice President, Senior Counsel and Assistant Secretary
Scott E. Wahlstrom	45	Vice President, Human Resources
Timothy R. Wesley	47	Vice President, Investor Relations and Corporate Communications

Albert J. Neupaver was named President and Chief Executive Officer of the Company in February, 2006. Prior to joining Wabtec, Mr. Neupaver served in various positions at AMETEK, Inc., a leading global manufacturer of electronic instruments and electric motors. Most recently he served as President of its Electromechanical Group for nine years.

Alvaro Garcia-Tunon has been Senior Vice President, Chief Financial Officer and Secretary of the Company since March 2003. Mr. Garcia-Tunon was Senior Vice President, Finance of the Company from November 1999 until March 2003 and Treasurer of the Company from August 1995 until November 1999.

Raymond T. Betler has been Vice President, Group Executive since August 2008. Prior to joining Wabtec, Mr. Betler served in various positions of increasing responsibility at Bombardier Transportation since 1979. Most recently, Mr. Betler served as President, Total Transit Systems from 2004 until 2008 and before that as President, London Underground Projects from 2002 to 2004.

R. Mark Cox was named Vice President, Corporate Development in September 2006. Prior to joining Wabtec, Mr. Cox served as Director of Business Development for the Electrical Group of Eaton Corporation since 2002. Prior to joining Eaton, Mr. Cox was an investment banker with UBS Warburg, Prudential and Stephens.

Patrick D. Dugan was named Vice President, Finance and Corporate Controller in January 2007. He has served as Corporate Controller since November 2003. Prior to joining Wabtec, Mr. Dugan served as Vice President and Chief Financial Officer of CWI International, Inc. from December 1996 to November 2003. Prior to 1996, Mr. Dugan was a Manager with PricewaterhouseCoopers.

Charles F. Kovac was named Vice President, Group Executive in September 2007. Prior to joining Wabtec, Mr. Kovac served as General Manager of the Global Floor Care / Specialty Motors Division of AMETEK, Inc. since 2003. Prior to joining AMETEK, Inc., Mr. Kovac was Chief Operating Officer of The Teleios Group, LLC from 1999 to 2003.

Keith P. Hildum was named Vice President and Treasurer in October 2006. He had been serving as Treasurer of the Company since 2001, and prior to that was Vice President, Finance and Administration – Railroad Operations. He has been with Wabtec since 1999, having held various positions with MotivePower Industries. Prior to MotivePower, Mr. Hildum was a Senior Manager with Deloitte & Touche.

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Richard A. Mathes was named Vice President, Group Executive of Wabtec in December, 2008. Prior to joining Wabtec Mr. Mathes was CEO of Standard Car Truck Company (“SCT”) from 1995 to 2008, having rejoined SCT in 1989 as President. Mr. Mathes had previously been in sales and marketing with SCT from 1979 through 1984 before leaving to pursue other opportunities in the rail industry. He began his 36 year career in the transportation industry in 1972 with the Missouri Pacific Railroad in St. Louis, MO.

David M. Seitz was promoted to Vice President, Senior Counsel and Assistant Secretary in January 2008. He had served as Senior Counsel and Assistant Secretary of Wabtec since 2000 and was appointed as an executive officer in 2006. Prior to joining Wabtec, Mr. Seitz was General Attorney and Assistant Secretary at Transtar, Inc., and had also been an electrical engineer with Westinghouse Electric Company.

Scott E. Wahlstrom has been Vice President, Human Resources, since November 1999. Previously, Mr. Wahlstrom was Vice President, Human Resources & Administration of MotivePower Industries, Inc. from August 1996 until November 1999.

Timothy R. Wesley has been Vice President, Investor Relations and Corporate Communications since November 1999. Previously, Mr. Wesley was Vice President, Investor and Public Relations of MotivePower Industries, Inc. from August 1996 until November 1999.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock of the Company is listed on the New York Stock Exchange. As of February 23, 2009, there were 47,996,857 shares of Common Stock outstanding held by 839 holders of record. The high and low sales price of the shares and dividends declared per share were as follows:

<u>2008</u>	<u>High</u>	<u>Low</u>	<u>Dividends</u>
First Quarter	\$37.37	\$28.72	\$ 0.01
Second Quarter	\$51.50	\$36.49	\$ 0.01
Third Quarter	\$60.75	\$43.29	\$ 0.01
Fourth Quarter	\$55.81	\$28.86	\$ 0.01
<u>2007</u>	<u>High</u>	<u>Low</u>	<u>Dividends</u>
First Quarter	\$35.00	\$28.40	\$ 0.01
Second Quarter	\$40.02	\$33.46	\$ 0.01
Third Quarter	\$41.99	\$34.78	\$ 0.01
Fourth Quarter	\$39.64	\$32.46	\$ 0.01

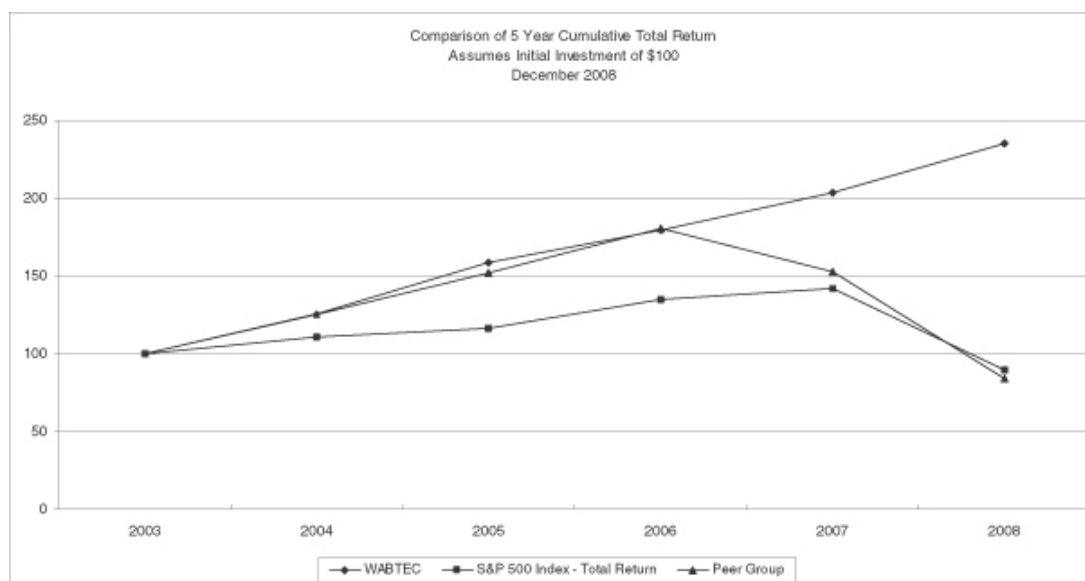
The Company’s credit agreement restricts the ability to make dividend payments, with certain exceptions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and see Note 9 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

At the close of business on February 23, 2009, the Company’s Common Stock traded at \$25.70 per share.

The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference to any future filings under the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended, except to the extent that Wabtec specifically incorporates it by reference into such filing. The graph below compares the total stockholder return through December 31, 2008, of Wabtec’s common stock, (i) the S&P 500,

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(ii) and our peer group of manufacturing companies consisting of the following publicly traded companies: The Greenbrier Companies, Inc., L.B. Foster Company, Trinity Industries, Portec Rail Products, Inc. and Freight Car America, Inc.



On July 31, 2006, the Board of Directors authorized the repurchase of up to \$50 million of the Company’s outstanding shares. On February 20, 2008 the Board of Directors authorized the repurchase of up to an additional \$100 million of the Company’s outstanding shares. The Company intends to purchase these shares on the open market or in negotiated or block trades. No time limit was set for the completion of the program. The program qualifies under the Refinancing Credit Agreement or 2008 Refinancing Credit Agreement, as applicable, as well as the 6 7/8% Senior Notes currently outstanding.

No shares were purchased during the first quarter of 2007. During the second quarter of 2007, the Company repurchased 92,700 shares of Wabtec stock at an average price of \$36.87 per share. During the third quarter of 2007, the Company repurchased 38,500 shares of Wabtec stock at an average price of \$36.22 per share. During the fourth quarter of 2007, the Company repurchased 378,600 shares of Wabtec stock at an average price of \$34.50 per share. All purchases were on the open market.

During the first quarter of 2008, the Company repurchased 712,900 shares at an average price of \$34.29 per share, exhausting the \$50.0 million authorization made in 2006. During the second quarter of 2008, the Company repurchased 5,200 shares at an average price of \$35.97 per share. No additional shares were repurchased during the third quarter of 2008. During the fourth quarter of 2008, the Company repurchased 599,800 shares at an average price of \$35.22 per share. All purchases were on the open market. Fourth quarter purchases were as follows:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Number of Shares Purchased for Announced Program</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased</u>
September 28, 2008 to October 25, 2008	50,000	\$ 38.65	50,000	\$ 86,650,819
October 26, 2008 to November 22, 2008	437,500	34.81	437,500	71,409,352
November 23, 2008 to December 31, 2008	112,300	35.31	112,300	67,441,754
Total	<u>599,800</u>	<u>\$ 35.22</u>	<u>599,800</u>	<u>\$ 67,441,754</u>

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Item 6. SELECTED FINANCIAL DATA

The following table shows selected consolidated financial information of the Company and has been derived from audited financial statements. This financial information should be read in conjunction with, and is qualified by reference to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements of the Company and the Notes thereto included elsewhere in this Form 10-K.

<i>In thousands, except per share amounts</i>	Year Ended December 31,				
	2008	2007	2006	2005	2004
Income Statement Data					
Net sales	\$ 1,574,749	\$ 1,360,088	\$ 1,087,620	\$ 1,034,024	\$ 822,018
Gross profit	427,186	369,619	296,777	259,646	205,164
Operating expenses	(214,670)	(189,878)	(166,626)	(157,717)	(149,077)
Income from operations	\$ 212,516	\$ 179,741	\$ 130,151	\$ 101,929	\$ 56,087
Interest expense, net	\$ (8,508)	\$ (3,637)	\$ (2,177)	\$ (9,358)	\$ (12,210)
Other income (expense), net	292	(3,650)	(1,417)	(3,055)	(1,020)
Income from continuing operations	130,554	109,387	86,494	57,685	32,096
Income (loss) from discontinued operations (net of tax) (1)	(3)	183	(1,690)	(1,909)	349
Net income (2)	\$ 130,551	\$ 109,570	\$ 84,804	\$ 55,776	\$ 32,445
Diluted Earnings per Common Share					
Income from continuing operations	\$ 2.67	\$ 2.23	\$ 1.76	\$ 1.21	\$ 0.70
Net income (2)	\$ 2.67	\$ 2.23	\$ 1.73	\$ 1.17	\$ 0.71
Cash dividends declared per share	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04
Fully diluted shares outstanding	48,847	49,141	49,108	47,595	45,787
Balance Sheet Data					
Total assets	\$ 1,507,520	\$ 1,158,702	\$ 972,842	\$ 836,357	\$ 713,396
Cash	141,805	234,689	187,979	141,365	95,257
Total debt	387,080	150,250	150,000	150,000	150,107
Shareholders’ equity	645,371	617,268	469,889	379,207	312,426

- (1) In 2006, includes \$1.7 million relating to the sale of a non-core product division of Rutgers Rail, S.p.A. In 2005, includes \$1.6 million relating to the liquidation of the bus door joint venture in China.
- (2) In 2007 and 2006, a tax benefit of \$3.1 million and \$5.3 million, respectively, was recognized related to deferred taxes, primarily due to the reversal of previously established valuation allowances on deferred tax assets. In 2008, 2006 and 2004, tax benefits of \$1.0 million, \$700,000 and \$4.9 million were recognized, respectively, primarily related to resolving certain tax issues from prior years that have been closed from further regulatory examination.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 104 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 16 countries. In 2008, about 41% of the Company's revenues came from customers outside the U.S.

Management Review and Outlook

Wabtec's long-term financial goals are to generate free cash flow in excess of net income, maintain a strong credit profile while minimizing our overall cost of capital, increase margins through strict attention to cost controls, and increase revenues through a focused growth strategy, including global and market expansion, new products and technologies, aftermarket products and services, and acquisitions. In addition, Management evaluates the Company's short-term operational performance through measures such as quality and on-time delivery.

The Company monitors a variety of factors and statistics to gauge market activity. The freight rail industry is largely driven by general economic conditions, which can cause fluctuations in rail traffic. Based on those fluctuations, railroads can increase or decrease purchases of new locomotive and freight cars. Growth in the U.S. economy slowed in 2008, which led to a decrease in rail traffic during the year. Deliveries of new locomotives increased about 25% during the year, in part due to strong international demand for U.S.-built locomotives. Deliveries of new freight cars decreased about 5.0% in 2008, due in part to the slowing economic conditions and resulting decrease in rail traffic. About 20% of the Company's revenues are directly related to deliveries of new freight cars. At December 31, 2008, the industry backlog of freight cars ordered was 31,921, compared to 75,860 at the end of the prior year.

The North American transit rail industry is primarily driven by government spending and ridership, which increased 8% and 5%, respectively, in 2008. In February 2009, the U.S. federal government passed new spending legislation designed to stimulate the U.S. economy. Of the \$789 billion spending package, up to \$20 billion is to be spent on freight and passenger transportation, as follows: \$8.4 billion for public transportation, \$8 billion for high-speed rail, \$1.5 billion for discretionary intermodal projects, and \$1.3 billion for AMTRAK. The majority of this money is to be spent by September 2010. Wabtec expects to benefit from this additional spending, as transit authorities invest in expansion, new equipment and other related projects.

In 2009, the Company expects conditions to slow in its freight rail and to remain generally stable in its passenger transit rail markets. Demand for new freight cars is expected to be lower. In the passenger transit rail market, the Company believes that increases in ridership and federal funding will continue to have a positive effect on the demand for new equipment and aftermarket parts. In addition, the Company has a strong backlog of transit-related projects, some of which are expected to generate increased revenues in 2009. In response to current market conditions, Wabtec expects to take certain actions to reduce costs, including plant consolidations, work force reductions and general spending cuts. Management believes these actions will not affect the company's ability to continue to invest in its strategic growth initiatives.

In 2009 and beyond, we will continue to face many challenges, including a weaker economy, higher costs for medical and insurance premiums, and foreign currency fluctuations. Unfavorable general economic and market conditions in the United States and internationally could have a negative impact on our sales and operations. To the extent that these factors result in continued instability of capital markets, shortages of raw

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materials or component parts, longer sales cycles, deferral or delay of customer orders or an inability to market our products effectively, our business and results of operations could be materially adversely affected. In addition, we face risks associated with our four-point growth strategy include the level of investment that customers are willing to make in new technologies developed by the industry and the Company, and risks inherent in global expansion. When necessary, we will modify our financial and operating strategies to reflect changes in market conditions and risks.

Wabtec downsized two of its Canadian plants, in Stoney Creek and Wallaceburg, by moving certain products to lower-cost facilities and outsourcing. For the years ended December 31, 2008, 2007 and 2006, Wabtec recorded charges of \$4.6 million, \$3.6 million and \$6.8 million, respectively. For the year ended December 31, 2007, additional severance, pension, and asset impairment charges of \$1.5 million were recorded related to other Canadian operations. All of these costs were paid as of December 31, 2008.

Total charges for restructuring and other expenses recorded to date have been \$16.5 million, comprised of the \$5.7 million for employee severance costs associated for approximately 400 salaried and hourly employees; \$5.5 million of pension and postretirement benefit curtailment for those employees; \$4.8 million related to asset impairments for structures, machinery, and equipment; and \$541,000 for goodwill impairment. Severance costs are contractual liabilities and payment is dependent on the waiver by or expiration of certain seniority rights of those employees. As of December 31, 2008, \$3.9 million of this amount had been paid.

RESULTS OF OPERATIONS

The following table shows our Consolidated Statements of Operations for the years indicated.

<i>In millions</i>	Year Ended December 31,		
	2008	2007	2006
Net sales	\$1,574.8	\$1,360.1	\$1,087.6
Cost of sales	1,147.6	(990.5)	(790.8)
Gross profit	427.2	369.6	296.8
Selling, general and administrative expenses	(170.6)	(148.5)	(130.3)
Engineering expenses	(39.0)	(37.4)	(32.7)
Amortization expense	(5.1)	(4.0)	(3.6)
Total operating expenses	(214.7)	(189.9)	(166.6)
Income from operations	212.5	179.7	130.2
Interest expense, net	(8.5)	(3.6)	(2.2)
Other income (expense), net	0.3	(3.6)	(1.4)
Income from continuing operations before income taxes	204.3	172.5	126.6
Income tax expense	(73.7)	(63.1)	(40.1)
Income from continuing operations	130.6	109.4	86.5
Discontinued operations (net of tax)	—	0.2	(1.7)
Net income	\$ 130.6	\$ 109.6	\$ 84.8

2008 COMPARED TO 2007

The following table summarizes the results of operations for the period:

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	Percent Change
Net sales	\$1,574,749	\$1,360,088	15.8%
Income from operations	212,516	179,741	18.2%
Net income	130,551	109,570	19.2%

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Net sales increased by \$214.7 million to \$1,574.8 million in 2008 from \$1,360.1 million in 2007. The increase is primarily due to internal growth from increased sales of \$55.3 million for brake products, \$36.8 million for contracts related to transit authorities, \$21.8 million in remanufacturing, overhaul and build of locomotives, and \$16.6 million for heat exchangers. Sales related to acquisitions also contributed \$59.3 million to the increase. Sales related to international expansion also contributed \$18 million to the increase. Offsetting these increases, the Company did realize a net sales decrease of \$12.2 million due to foreign exchange but net earnings are mostly not impacted by foreign exchange.

Net income for 2008 was \$130.6 million or \$2.67 per diluted share. Net income for 2007 was \$109.6 million or \$2.23 per diluted share. Net income improved primarily due to sales increases.

Net sales by Segment The following table shows the Company's net sales by business segment:

<u>In thousands</u>	For the year ended December 31,	
	2008	2007
Freight Group	\$ 773,523	\$ 734,173
Transit Group	801,226	625,915
Net sales	\$ 1,574,749	\$ 1,360,088

Freight Group sales increased by \$39.4 million or 5.4% due to increased sales from international expansion of \$18 million, increased sales from heat exchangers of \$16.6 million, sales of \$11.2 million for aftermarket brake products, and sales of \$11.1 million from an acquisition completed in the fourth quarter of 2008. Offsetting these increases were decreases of \$20.9 million in locomotive component, repair and refurbishment services. Transit Group sales increased by \$175.3 million or 28% due to increased sales of brake products of \$52.1 million, contracts related to transit authorities of \$37.6 million, increased sales of \$21.8 million related to refurbishment of transit cars, and sales of \$48 million for the full year results from acquisitions completed in 2007 and the acquisitions completed in the second quarter of 2008.

Gross profit Gross profit increased to \$427.2 million in 2008 compared to \$369.6 million in 2007. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. In 2008, gross profit, as a percentage of sales, was 27.1% compared to 27.2% in 2007. The gross profit percentage was flat due to the changing mix of revenues from Freight to Transit as Transit margins tend to be lower than Freight. This was offset by ongoing efficiency and cost saving initiatives. The provision for warranty expense is generally established for specific losses, along with historical estimates of customer claims as a percentage of sales. The provision for warranty expense was \$10.7 more in 2008 compared to 2007 because of increased sales, particularly for large transit authority contracts which ramped up in 2008. The warranty reserve increased at December 31, 2008 compared to December 31, 2007 by \$8.4 million due to \$4 million from acquisitions completed in 2008, and primarily from customer claims or transit authority contracts.

Operating expenses The following table shows our operating expenses:

<u>In thousands</u>	For the year ended December 31,		
	2008	2007	Percent Change
Selling, general and administrative expenses	\$ 170,597	\$ 148,437	14.9%
Engineering expenses	38,981	37,434	4.1%
Amortization expense	5,092	4,007	27.1%
Total operating expenses	\$ 214,670	\$ 189,878	13.1%

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Selling, general, and administrative expenses increased \$22.2 million in 2008 compared to 2007 mostly due to the acquisitions that were completed during the fourth quarter of 2008. Engineering expenses increased by \$1.5 million in 2008 compared to 2007 mostly due to those same acquisitions. Amortization expense increased \$1.0 million due to acquisitions. Total operating expenses were 13.6% and 14.0% of sales for 2008 and 2007, respectively.

Income from operations Income from operations totaled \$212.5 million (or 13.5% of sales) in 2008 compared to \$179.7 million (or 13.2% of sales) in 2007. Income from operations improved primarily due to sales increases.

Interest expense, net Interest expense, net increased \$4.9 million in 2008 compared to 2007 primarily due to the Company's overall lower cash balances, resulting in lower interest income, and acquisition financing incurred in the fourth quarter in connection with the acquisition of Standard Car Truck.

Other expense, net Other expense, net decreased \$3.9 million in 2008 compared to 2007. The Company recorded foreign exchange expense of \$300,000 and \$3.2 million, respectively, in 2008 and 2007, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

Income taxes The effective income tax rate was 36.1% and 36.6% in 2008 and 2007, respectively. The decrease in the effective tax rate is primarily the result of a \$1.0 million net tax benefit recognized in 2008 due to the expiration of statutory review periods and current examinations in various tax jurisdictions.

Net income Net income for 2008 increased \$21.0 million, compared to 2007. Net income improved primarily due to sales increases.

2007 COMPARED TO 2006

The following table summarizes the results of operations for the period:

<i>In thousands</i>	For the year ended December 31,		
	2007	2006	Percent Change
Net sales	\$1,360,088	\$1,087,620	25.1%
Income from operations	179,741	130,151	38.1%
Net income	109,570	84,804	29.2%

Net sales increased by \$272.5 million to \$1,360.1 million in 2007 from \$1,087.6 million in 2006. The increase is primarily due to internal growth from increased sales of \$69.4 million for locomotives, \$30.3 million for refurbishing transit cars, \$38.1 million for heat exchangers, \$20.6 million for contracts related to transit authorities, and \$99.4 million from acquisitions completed in the fourth quarter of 2006 and second quarter of 2007. Offsetting those increases was a decrease of \$22.3 million primarily related to lower industry deliveries of freight cars. The Company did realize a net sales improvement of \$22.7 million due to foreign exchange but net earnings are mostly not impacted by foreign exchange.

Net income for 2007 was \$109.6 million or \$2.23 per diluted share. Net income for 2006 was \$84.8 million or \$1.73 per diluted share. Net income improved primarily due to sales increases and higher operating margins.

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Net sales by Segment The following table shows the Company's net sales by business segment:

<i>In thousands</i>	For the year ended December 31,	
	2007	2006
Freight Group	\$ 734,173	\$ 709,353
Transit Group	625,915	378,267
Net sales	\$ 1,360,088	\$ 1,087,620

Freight Group sales increased by \$24.8 million or 3.5% due to increased sales from heat exchangers of \$38.1 million, sales of \$18.0 million from an acquisition completed in the fourth quarter of 2006, and a net sales improvement of about \$1.6 million due to foreign exchange. Offsetting these increases were decreases of \$14.0 million in locomotive component, repair and refurbishment services, and decreases of \$22.3 million primarily related to lower industry deliveries of freight cars. Transit Group sales increased by \$247.7 million or 65.5% due to increased commuter locomotive sales of \$83.4 million, increased sales of \$41.7 million related to refurbishment of transit cars, contracts related to transit authorities of \$20.4 million, sales of \$81.4 million from acquisitions completed in the fourth quarter of 2006 and second quarter of 2007, and a net sales improvement of about \$21.1 million due to foreign exchange.

Gross profit Gross profit increased to \$369.6 million in 2007 compared to \$296.8 million in 2006. Gross profit is dependent on a number of factors including pricing, sales volume and product mix. In 2007, gross profit, as a percentage of sales, was 27.2% compared to 27.3% in 2006. The gross profit percentage was flat due to the changing mix of revenues from Freight to Transit as Transit margins tend to be lower than Freight. This was offset by ongoing efficiency and cost saving initiatives. In 2007, restructuring plan expenses of \$5.5 million were recorded in cost of sales. 2007 gross profit, as a percentage of sales, excluding these charges, would have been 27.6%. In 2006, restructuring plan expenses of \$6.3 million were recorded in cost of sales. 2006 gross profit, as a percentage of sales, excluding these charges, would have been 27.9%.

The provision for warranty expense was \$180,000 less in 2007 compared to 2006. The warranty reserve increased at December 31, 2007 compared to December 31, 2006 by \$4.9 million due to \$4.7 million from an acquisition completed in the second quarter of 2007.

Operating expenses The following table shows our operating expenses:

<i>In thousands</i>	For the year ended December 31,		
	2007	2006	Percent Change
Selling, general and administrative expenses	\$ 148,437	\$ 130,294	13.9%
Engineering expenses	37,434	32,701	14.5%
Amortization expense	4,007	3,631	10.4%
Total operating expenses	\$ 189,878	\$ 166,626	14.0%

Selling, general, and administrative expenses increased \$18.1 million in 2007 compared to 2006 mostly due to the acquisitions that were completed during the fourth quarter of 2006 and second quarter of 2007. In addition, during 2007, the Company recorded a provision of \$4.4 million for the settlement with Bombardier (see Note 19 of "Notes to Condensed Consolidated Financial Statements"). Engineering expenses increased by \$4.7 million in 2007 compared to 2006 mostly due to those same acquisitions. Total operating expenses were 14.0% and 15.3% of sales for 2007 and 2006, respectively.

Income from operations Income from operations totaled \$179.7 million (or 13.2% of sales) in 2007 compared to \$130.2 million (or 12.0% of sales) in 2006. Income from operations improved primarily due to sales increases and higher operating margins.

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Interest expense, net Interest expense, net increased \$1.4 million in 2007 compared to 2006 primarily due to the Company's overall lower cash balances, resulting in lower interest income.

Other expense, net Other expense, net increased \$2.2 million in 2007 compared to 2006. The Company recorded foreign exchange expense of \$3.2 million and \$1.1 million, respectively, in 2007 and 2006, due to the effect of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts and charged or credited to earnings.

Income taxes The effective income tax rate was 36.6% and 31.7% in 2007 and 2006, respectively. The increase in effective tax rate is primarily the result of the Company's 2007 adoption of FIN 48 as well as the reversal of certain valuation allowances in 2006. Approximately \$3.1 million and \$5.3 million of tax benefits were recognized in 2007 and 2006, respectively, related to the reversal of deferred tax valuation allowances.

Net income Net income for 2007 increased \$24.8 million, compared to 2006. Net income improved primarily due to sales increases and higher operating margins.

Liquidity and Capital Resources

Liquidity is provided primarily by operating cash flow and borrowings under the Company's unsecured credit facility with a consortium of commercial banks. The following is a summary of selected cash flow information and other relevant data:

<u>In thousands</u>	For the year ended December 31,		
	2008	2007	2006
Cash provided by (used for):			
Operating activities	\$ 159,384	\$ 142,509	\$ 151,027
Investing activities	(417,441)	(93,536)	(104,762)
Financing activities:			
Proceeds from debt	236,000	—	—
Payments of debt	(385)	(657)	—
Stock repurchase	(45,796)	(17,888)	(18,874)
Other	(108)	5,560	17,067

Operating activities. Cash provided by operations in 2008 was \$159.4 million as compared to \$142.5 million in 2007. This \$16.9 million increase was the result of increased earnings offset by certain changes in operating assets and liabilities. Net income for the Company increased \$21.0 million primarily as a result of increased sales. Although account receivable continued to increase due to higher overall sales, the increase was less than the increase in 2007 which resulted in a \$10.8 million improvement. Inventories increased in 2008 about \$28.4 million more than 2007 due to higher inventory on hand for large contracts requirements and overall higher sales activity. Accounts payable increased less in 2008 compared to 2007 by \$18.4 million resulting in less cash generated. Customer deposits and other accruals increased compared to 2007 resulting in a cash increase of \$35.8 million. Cash was generated due to the collection of large customer deposits on certain long term contracts. Other assets and liabilities, including accrued income taxes, used cash of \$9.1 million compared to 2007.

Cash provided by operations in 2007 was \$142.5 million as compared to \$151.0 million in 2006. This \$8.5 million decrease was the result of increased earnings offset by certain changes in operating assets and liabilities. Net income for the Company increased \$24.8 million primarily as a result of increased sales and higher operating margins. Accounts receivable decreased operating cash flows by \$77.2 million due to large customer receivables collected for certain locomotive contracts in 2006. Accounts payable provided cash of \$40.1 million due to increased purchases for new businesses. Accrued liabilities used cash of \$9.3 million as the result of applying customer deposits against customer contract revenue in 2007. Other assets and liabilities used cash of \$782,000.

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Investing activities. In 2008 and 2007, cash used in investing activities was \$417.4 million and \$93.5 million, respectively. In 2008, Wabtec acquired 100% of the stock of Poli SpA and Standard Car Truck for \$82.3 million and \$302.9 million, respectively, net of cash received. Other investments include \$8.4 million for certain operations in China, and \$4.5 million for certain assets to support our train management business. In 2007, Wabtec acquired 100% of the stock of Ricon Corporation for \$73.6 million, net of cash received. In 2006, Wabtec acquired 100% of the stock of Schaefer Equipment and Becorit for \$36.3 million and \$50.9 million, respectively, net of cash received. Capital expenditures were \$19.7 million, \$20.4 million, and \$20.9 million in 2008, 2007 and 2006, respectively. In 2006, the Company sold a non-core division for \$1.4 million.

Financing activities. In 2008, cash provided by financing activities was \$189.7 million, which included \$236.0 million of borrowings under the new credit facility, offset by \$45.8 million of Wabtec stock repurchases. In 2007, cash used by financing activities was \$13.0 million compared to cash used by financing activities of \$1.8 million in 2006.

The following table shows outstanding indebtedness at December 31, 2008 and 2007.

<i>In thousands</i>	December 31,	
	2008	2007
6.875% senior notes, due 2013	\$ 150,000	\$ 150,000
Term Loan Facility	200,000	—
Revolving Credit Facility	36,000	—
Capital Leases	1,080	250
Total	387,080	150,250
Less—current portion	30,381	73
Long-term portion	\$ 356,699	\$ 150,177

Cash balance at December 31, 2008 and 2007 was \$141.8 million and \$234.7 million, respectively.

2008 Refinancing Credit Agreement

On November 4, 2008, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This “2008 Refinancing Credit Agreement” provides the company with a \$300 million five-year revolving credit facility and a \$200 million five-year term loan facility. The Company incurred \$2.9 million of deferred financing cost related to the 2008 Refinancing Credit Agreement. Both facilities expire in January 2013. The 2008 Refinancing Credit Agreement borrowings bear variable interest rates indexed to the indices described below. At December 31, 2008 the weighted average interest rate on the Company’s variable rate debt was 3.32%. At December 31, 2008, the Company had available bank borrowing capacity, net of \$57.3 million of letters of credit, of approximately \$242.7 million, subject to certain financial covenant restrictions.

Under the 2008 Refinancing Credit Agreement, the Company may elect a Base Rate of interest or an interest rate based on the London Interbank Offered Rate (“LIBOR”) of interest (“the Alternate Rate”). The Base Rate adjusts on a daily basis and is the greater of the PNC, N.A. prime rate, 30-day LIBOR plus 150 basis points or the Federal Funds Effective Rate plus 0.5% per annum, plus a margin that ranges from 25 to 50 basis points. The Alternate rate is based on quoted LIBOR rates plus a margin that ranges from 125 to 200 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company’s consolidated total indebtedness to cash flow ratios. The initial Base Rate margin is 25 basis points and the initial Alternate Rate margin is 175 basis points.

The 2008 Refinancing Credit Agreement limits the Company’s ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2008 Refinancing Credit Agreement contains various other covenants and restrictions including the following

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limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to cash flow ratio of 3.25. The Company is in compliance with these measurements and covenants and expects that these measurements will not be any type of limiting factor in executing our operating activities. See Note 9 of “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.

Refinancing Credit Agreement In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This “Refinancing Credit Agreement” provided a \$175 million five-year revolving credit facility expiring in January 2009. In November 2005, the Company entered into an amendment to the Refinancing Credit Agreement which extended the expiration of the agreement. The Company entered into another amendment to its Refinancing Credit Agreement in February 2007 which permitted the Company to complete any acquisitions without prior approval of the bank consortium as long as certain financial parameters and ratios are met. Refinancing Credit Agreement variable interest rates were indexed to certain indices. The Company may have elected a base interest rate or an interest rate based on the LIBOR. The base interest rate was the greater of LaSalle Bank National Association’s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate was based on LIBOR plus a margin that ranges from 62.5 to 175 basis points depending on the Company’s consolidated total indebtedness to cash flow ratios. The margin was 62.5 basis points.

The Company did not borrow under the Refinancing Credit Agreement during 2007 or 2006.

6.875% Senior Notes Due August 2013. In August 2003, the Company issued \$150 million of Senior Notes due in 2013 (“the Notes”). The Notes were issued at par. Interest on the Notes accrues at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company’s existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity.

The Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all our existing and future subordinated indebtedness of the Company. The indenture under which the Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens. The Company is in compliance with these measurements and covenants and expects that these measurements will not be any type of limiting factor in executing our operating activities.

Management believes that based on current levels of operations and forecasted earnings, cash flow and liquidity will be sufficient to fund working capital and capital equipment needs as well as meeting debt service requirements. If sources of funds were to fail to satisfy the Company’s cash requirements, the Company may need to refinance our existing debt or obtain additional financing. There is no assurance that such new financing alternatives would be available, and, in any case, such new financing, if available, would be expected to be more costly and burdensome than the debt agreements currently in place.

[Table of Contents](#)**Contractual Obligations and Off-Balance Sheet Arrangements**

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements and have certain contingent commitments such as debt guarantees. The Company has grouped these contractual obligations and off-balance sheet arrangements into operating activities, financing activities, and investing activities in the same manner as they are classified in the Statement of Consolidated Cash Flows to provide a better understanding of the nature of the obligations and arrangements and to provide a basis for comparison to historical information. The table below provides a summary of contractual obligations and off-balance sheet arrangements as of December 31, 2008:

<i>In thousands</i>	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>
Operating activities:					
Purchase obligations (1)	\$ 36,731	\$ 28,236	\$ 4,010	\$ 4,485	\$ —
Operating leases (2)	36,687	7,636	14,015	9,365	5,671
Pension benefit payments (3)	—	10,557	21,697	17,873	—
Postretirement benefit payments (4)	—	2,348	4,533	4,259	—
Financing activities:					
Interest payments (5)	69,242	17,599	31,599	19,771	273
Long-term debt (6)	387,080	30,381	72,948	283,583	168
Dividends to shareholders (7)	—	—	—	—	—
Investing activities:					
Capital projects (8)	29,009	29,009	—	—	—
Other:					
Standby letters of credit (9)	58,274	9,811	48,463	—	—
Total	<u> </u>	<u>\$135,577</u>	<u>\$197,265</u>	<u>\$339,336</u>	<u> </u>

- (1) Purchase obligations for the purposes of this disclosure have been defined as a contractual obligation that is in excess of \$100,000 annually, and \$200,000 in total.
- (2) Future minimum payments for operating leases are disclosed by year in Note 15 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (3) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Pension benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets and rate of compensation increases. The Company expects to contribute about \$9.1 million to pension plan investments in 2009. See further disclosure in Note 10 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (4) Annual payments to participants are expected to continue into the foreseeable future at the amounts or ranges noted. Postretirement payments are based on actuarial estimates using current assumptions for discount rates and health care costs. See further disclosure in Note 10 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (5) Interest payments are payable January and July of each year at 6 7/8% of \$150 million Senior Notes due in 2013. Interest payments for the Term Loan Facility, Revolving Credit Facility and Capital Leases are based on contractual terms and the Company’s current interest rates.
- (6) Scheduled principal repayments of outstanding loan balances are disclosed in Note 9 of the “Notes to Consolidated Financial Statements” included in Part IV, Item 15 of this report.
- (7) Shareholder dividends are subject to approval by the Company’s Board of Directors, currently at an annual rate of approximately \$1.9 million.
- (8) The annual capital expenditure budget is subject to approval by the Board of Directors. The 2009 budget amount was approved at the December 2008 Board of Directors meeting.
- (9) The Company has \$57.3 million in outstanding letters of credit for performance and bid bond purposes, which expire in various dates through 2011. Amounts include interest payments based on contractual terms and the Company’s current interest rate.

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The above table does not reflect uncertain tax positions of \$17.1 million, the timing of which are uncertain except for \$484,000 that may become payable during 2009. Refer to Note 11 of the “Notes to Consolidated Financial Statements” for additional information on uncertain tax positions.

Obligations for operating activities. The Company has entered into \$36.7 million of material long-term non-cancelable materials and supply purchase obligations. Operating leases represent multi-year obligations for rental of facilities and equipment. Estimated pension funding and post retirement benefit payments are based on actuarial estimates using current assumptions for discount rates, expected return on long-term assets, rate of compensation increases and health care cost trend rates. Benefits paid for pension obligations were \$14.8 million and \$10.4 million in 2008 and 2007, respectively. Benefits paid for post retirement plans were \$2.0 million and \$2.2 million in 2008 and in 2007, respectively.

Obligations for financing activities. Cash requirements for financing activities consist primarily of long-term debt repayments, interest payments and dividend payments to shareholders. The Company has historically paid quarterly dividends to shareholders, subject to quarterly approval by our Board of Directors, currently at a rate of approximately \$1.9 million annually.

The Company arranges for performance bonds to be issued by third party insurance companies to support certain long term customer contracts. At December 31, 2008 initial value of performance bonds issued on the Company’s behalf is about \$190.1 million.

Obligations for investing activities. The Company typically spends approximately \$20 million to \$30 million a year for capital expenditures, primarily related to facility expansion efficiency and modernization, health and safety, and environmental control. The Company expects annual capital expenditures in the future will be within this range.

Forward Looking Statements

We believe that all statements other than statements of historical facts included in this report, including certain statements under “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may constitute forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure that our assumptions and expectations are correct.

These forward-looking statements are subject to various risks, uncertainties and assumptions about us, including, among other things:

Economic and industry conditions

- prolonged unfavorable economic and industry conditions in the markets served by us, including North America, South America, Europe, Australia, Asia, and South Africa;
- further decline in demand for freight cars, locomotives, passenger transit cars, buses and related products and services;
- reliance on major original equipment manufacturer customers;
- original equipment manufacturers’ program delays;
- demand for services in the freight and passenger rail industry;
- demand for our products and services;
- orders either being delayed, cancelled, not returning to historical levels, or reduced or any combination of the foregoing;

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- consolidations in the rail industry;
- continued outsourcing by our customers; industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates and foreign currency exchange rates; or
- availability of credit;

Operating factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- increases in raw material costs;
- successful introduction of new products;
- performance under material long-term contracts;
- labor relations;
- completion and integration of acquisitions; or
- the development and use of new technology;

Competitive factors

- the actions of competitors;

Political/governmental factors

- political stability in relevant areas of the world;
- future regulation/deregulation of our customers and/or the rail industry;
- levels of governmental funding on transit projects, including for some of our customers;
- political developments and laws and regulations; or
- the outcome of our existing or any future legal proceedings, including litigation involving our principal customers and any litigation with respect to environmental, asbestos-related matters and pension liabilities; and

Transaction or commercial factors

- the outcome of negotiations with partners, governments, suppliers, customers or others.

Statements in this 10-K apply only as of the date on which such statements are made, and we undertake no obligation to update any statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

The preparation of the financial statements in accordance with generally accepted accounting principles requires Management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include the accounting for derivatives, environmental matters, warranty reserves, the testing of goodwill and other

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intangibles for impairment, proceeds on assets to be sold, pensions and other postretirement benefits, and tax matters. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, Management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company. A discussion of the judgments and uncertainties associated with accounting for derivatives and environmental matters can be found in Notes 2 and 19, respectively, in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report.

A summary of the Company's significant accounting policies is included in Note 2 in the "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accounts Receivable and Allowance for Doubtful Accounts:		
The Company provides an allowance for doubtful accounts to cover anticipated losses on uncollectible accounts receivable.	The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.	If our estimates regarding the collectability of troubled accounts, and/or our actual losses within our receivable portfolio exceed our historical experience, we may be exposed to the expense of increasing our allowance for doubtful accounts.
Inventories:		
Inventories are stated at the lower of cost or market.	Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead.	If the market value of our products were to decrease due to changing market conditions, the Company could be at risk of incurring the cost of additional reserves to adjust inventory value to a market value lower than stated cost.
Inventory is reviewed to ensure that an adequate provision is recognized for excess, slow moving and obsolete inventories.	The Company compares inventory components to prior year sales history and current backlog and anticipated future requirements. To the extent that inventory parts exceed estimated usage and demand, a reserve is recognized to reduce the carrying value of inventory. Also, specific reserves are established for known inventory obsolescence.	If our estimates regarding sales and backlog requirements are inaccurate, we may be exposed to the expense of increasing our reserves for slow moving and obsolete inventory.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Goodwill and Indefinite-Lived Intangibles: Goodwill and indefinite-lived intangibles are required to be tested for impairment at least annually. The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill).	We use a combination of a guideline public company market approach and a discounted cash flow model (“DCF model”) to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital changes.	Management considers historical experience and all available information at the time the fair values of its business are estimated. However, actual amounts realized may differ from those used to evaluate the impairment of goodwill. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to additional impairment losses that could be material to our results of operations.
Warranty Reserves: The Company provides warranty reserves to cover expected costs from repairing or replacing products with durability, quality or workmanship issues occurring during established warranty periods.	In general, reserves are provided for as a percentage of sales, based on historical experience. In addition, specific reserves are established for known warranty issues and their estimable losses.	If actual results are not consistent with the assumptions and judgments used to calculate our warranty liability, the Company may be at risk of realizing material gains or losses.
Accounting for Pensions and Postretirement Benefits: These amounts are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality).	Significant judgments and estimates are used in determining the liabilities and expenses for pensions and other postretirement benefits. The rate used to discount future estimated liabilities is determined considering the rates available at year-end on debt instruments that could be used to settle the obligations of the plan. The long-term rate of return is estimated by considering historical returns and expected returns on current and projected asset allocations and is generally applied to a five-year average market value of assets.	If assumptions used in determining the pension and other postretirement benefits change significantly, these costs can fluctuate materially from period to period.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income Taxes: As a global company, Wabtec records an estimated liability or benefit for income and other taxes based on what it determines will likely be paid in various tax jurisdictions in which it operates in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48").	The estimate of our tax obligations are uncertain because Management must use judgment to estimate the exposures associated with our various filing positions, as well as realization of our deferred tax assets. FIN 48 establishes a recognition and measurement threshold to determine the amount of tax benefit that should be recognized related to uncertain tax positions.	Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters including the resolution of the tax audits in the various affected tax jurisdictions and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the recorded amount. A deferred tax valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.
Revenue Recognition: Revenue is recognized in accordance with Staff Accounting Bulletins (SABs) 101, "Revenue Recognition in Financial Statements" and 104 "Revision of Topic 13." The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined.	Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined. For long-term contracts, revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined.	Should market conditions and customer demands dictate changes to our standard shipping terms, the Company may be impacted by longer than typical revenue recognition cycles. Provisions are made currently for estimated losses on uncompleted contracts.

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<u>Description</u>	<u>Judgments and Uncertainties</u>	<u>Effect if Actual Results Differ From Assumptions</u>
Certain pre-production costs relating to long term production and supply contracts have been deferred and will be recognized over the life of the contracts.	Pre-production costs are recognized over the expected life of the contract usually based on the Company's progress toward the estimated number of units expected to be delivered under the production or supply contract.	A charge to expense for unrecognized portions of pre-production costs could be realized if the Company's estimate of the number of units to be delivered changes or the underlying contract is cancelled.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

In the ordinary course of business, Wabtec is exposed to risks that increases in interest rates may adversely affect funding costs associated with its variable-rate debt. The Company's variable rate debt represents 61% and 0% of total long-term debt at December 31, 2008 and 2007, respectively. On an annual basis a 1% change in the interest rate for variable rate debt at December 31, 2008 would increase or decrease interest expense by \$2.3 million.

Foreign Currency Exchange Risk

The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date the Company can either take delivery of the currency or settle on a net basis.

We occasionally enter into several types of financial instruments for the purpose of managing our exposure to foreign currency exchange rate fluctuations in countries in which we have significant operations. As of December 31, 2008, we had several such instruments outstanding to hedge currency rate fluctuation in 2009.

At December 31, 2008, the Company had forward contracts for the sale of South African Rand (ZAR) and the purchase of U.S. Dollars (USD). The Company concluded that these foreign currency forward contracts qualify for cash flow hedge accounting which permits the recording of the fair value of the forward contract and corresponding adjustment to other comprehensive income (loss), net of tax, on the balance sheet. As of December 31, 2008, the Company had forward contracts with a notional value of \$5.0 million ZAR (or \$557,000 U.S.) with an average exchange rate of \$8.97 ZAR per \$1 USD, resulting in the recording of a current asset of \$41,000 and a corresponding offset in accumulated other comprehensive income of \$26,000, net of tax.

At December 31, 2007, the Company had forward contracts for the sale of USD and the purchase of Euro with a notional value of €2.3 million Euro (or \$3.1 million USD), with an average exchange rate of \$1.32 USD per €1 Euro. These forward contracts are used to mitigate the variability in cash flows from the payment of liabilities denominated in currencies other than the USD. Since the Company does not treat these derivatives as hedges, the change in fair value of both the forward contracts and the related liabilities are recorded in the income statement. In 2007, the Company recorded a fair value gain in the amount of \$315,000.

We are also subject to certain risks associated with changes in foreign currency exchange rates to the extent our operations are conducted in currencies other than the U.S. dollar. For the year ended December 31, 2008, approximately 59% of Wabtec's net sales were to the United States, 9% to Canada, 3% to Mexico, 5% to Australia, 2% to Germany, 11% to the United Kingdom, and 11% in other international locations. (See Note 20 of "Notes to Consolidated Financial Statements" included in Part IV, Item 15 of this report).

Our market risk exposure is not substantially different from our exposure at December 31, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model. Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) 157-1, 157-2, and 157-3. FSP 157-1 amends SFAS 157 to exclude SFAS 13 and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP 157-3 clarifies the application of SFAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. The Company does not have any financial assets that are valued using inactive markets, and as such is not impacted by the issuance of this FSP. The Company adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Refer to Note 18 to the Notes to Consolidated Financial Statements for additional discussion on fair value measurements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115” (SFAS 159). SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS 159 and has elected not to measure any additional financial instruments and other items at fair value.

In December 2007, the FASB issued SFAS No. 141 (Revised), “Business Combinations” (SFAS 141(R)), replacing SFAS No. 141, “Business Combinations” (SFAS 141), and SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an Amendment of ARB No. 51” (SFAS 160). SFAS 141(R) retains the fundamental requirements of SFAS 141, broadens its scope by applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, and requires, among other things, that assets acquired and liabilities assumed be measured at fair value as of the acquisition date, that liabilities related to contingent consideration be recognized at the acquisition date and remeasured at fair value in each subsequent reporting period, that acquisition-related costs be expensed as incurred, and that income be recognized if the fair value of the net assets acquired exceeds the fair value of the consideration transferred. SFAS 160 establishes accounting and reporting standards for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent’s ownership interest in a subsidiary and requires, among other things, that noncontrolling interests in subsidiaries be classified as a separate component of equity. Except for the presentation and disclosure requirements of SFAS 160, which are to be applied retrospectively for all periods presented, SFAS 141(R) and SFAS 160 are to be applied prospectively in financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting these statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an Amendment FASB Statement No. 133” (SFAS 161). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 applies to all derivative instruments within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures.

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SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The Company is currently evaluating the disclosure implications of adopting this statement.

In June 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the provisions of FSP EITF 03-6-1. The Company is currently evaluating the impact of adopting FSP EITF 03-6-1.

In December 2008, the FASB issued FSP SFAS No. 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP SFAS 132(R)-1). FSP SFAS 132(R)-1 amends SFAS No. 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”, (SFAS 132(R)), to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The additional disclosure requirements under this FSP include expanded disclosures about an entity’s investment policies and strategies, the categories of plan assets, concentrations of credit risk and fair value measurements of plan assets. The Company is currently evaluating the disclosure implications of adopting this statement.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are set forth in Item 15, of Part IV hereof.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with our independent public accountants.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Wabtec’s principal executive officer and its principal financial officer have evaluated the effectiveness of Wabtec’s “disclosure controls and procedures,” (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2008. Based upon their evaluation, the principal executive officer and principal financial officer concluded that Wabtec’s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by Wabtec in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by Wabtec in such reports is accumulated and communicated to Wabtec’s Management, including its principal executive officer and principal finance officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in Wabtec’s “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, Wabtec’s internal control over financial reporting. Management’s annual report on internal control over financial reporting and the attestation report of the registered public accounting firm are included in Part IV, Item 15 of this report.

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Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting appears on page 45 and is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

Ernst & Young's attestation report on internal control over financial reporting appears on page 47 and is incorporated herein by reference.

Item 9B. OTHER INFORMATION

None.

PART III**Items 10 through 14.**

In accordance with the provisions of General Instruction G(3) to Form 10-K, the information required by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accounting Fees and Services) is incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 13, 2009, except for the Equity Compensation Plan Information required by Item 12, which is set forth in the table below. The definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2008. Information relating to the executive officers of the Company is set forth in Part I.

Wabtec has adopted a Code of Ethics for Senior Officers which is applicable to all of our executive officers. As described in Item 1 of this report the Code of Ethics for Senior Officers is posted on our website at www.wabtec.com. In the event that we make any amendments to or waivers from this code, we will disclose the amendment or waiver and the reasons for such on our website.

This table provides aggregate information as of December 31, 2008 concerning equity awards under Wabtec's compensation plans and arrangements.

	(a)	(b)	(c)
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 column (a))
Equity compensation plans approved by shareholders	1,054,244	\$ 20.16	1,759,969
Equity compensation plans not approved by shareholders	—	—	—
Total	1,054,244	\$ 20.16	1,759,969

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The financial statements, financial statement schedules and exhibits listed below are filed as part of this annual report:

	<u>Page</u>		<u>Filing Method</u>
(a)			
(1)		Financial Statements and Reports on Internal Control	
		Management's Reports to Westinghouse Air Brake Technologies Corporation Shareholders	45
		Report of Independent Registered Public Accounting Firm	46
		Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	47
		Consolidated Balance Sheets as of December 31, 2008 and 2007	48
		Consolidated Statements of Operations for the three years ended December 31, 2008, 2007 and 2006	49
		Consolidated Statements of Cash Flows for the three years ended December 31, 2008, 2007 and 2006	50
		Consolidated Statements of Shareholders' Equity for the three years ended December 31, 2008, 2007 and 2006	51
		Notes to Consolidated Financial Statements	52
(2)		Financial Statement Schedules	
		Schedule II—Valuation and Qualifying Accounts	88
(b)			
		Exhibits	
2.1		Amended and Restated Agreement and Plan of Merger, as amended (originally included as Annex A to the Joint Proxy Statement/Prospectus)	3
3.1		Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995	2
3.2		Amended and Restated By-Laws of the Company, effective December 13, 2007	7
4.1(a)		Indenture with the Bank of New York as Trustee dated as of August 6, 2003	5
4.1(b)		Resolutions Adopted July 23, 2003 by the Board of Directors establishing the terms of the offering of up to \$150,000,000 aggregate principal amount of 6.875% Notes due 2013	5
4.2		Purchase Agreement, dated July 23, 2003, by and between the Company and the initial purchasers	5
4.3		Exchange and Registration Rights Agreement, dated August 6, 2003	5
10.1		Indemnification Agreement dated January 31, 1995 between the Company and the Voting Trust Trustees	2

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	<u>Filing Method</u>
10.2 Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc. (now known as Trane), dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)	2
10.3 Letter Agreement (undated) between the Company and American Standard Inc. (now known as Trane) on environmental costs and sharing	2
10.4 Purchase Agreement dated as of June 17, 1992 among the Company, Schuller International, Inc., Manville Corporation and European Overseas Corporation (only provisions on indemnification are reproduced)	2
10.5 Asset Purchase Agreement dated as of January 23, 1995 among the Company, Pulse Acquisition Corporation, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc. and the Pulse Shareholders (Schedules and Exhibits omitted)	2
10.6 Letter Agreement dated as of January 19, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.7 Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended	9
10.8 Letter Agreement dated as of January 1, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.9 Form of Indemnification Agreement between the Company and Authorized Representatives	2
10.10 Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan, as amended	9
10.11 Asset Purchase Agreement, by and between General Electric Company, through its GE Transportation Systems business and Westinghouse Air Brake Technologies Corporation, dated as of July 24, 2001	4
10.12 Sale and Purchase Agreement, by and between Rütgers Rail S.p.A. and the Company, dated August 12, 2004	6
10.13 Amendment Agreement dated January 28, 2005 by and among Rütgers Rail S.p.A., the Company, CoFren S.r.l. and RFPC Holding Company to the Sale and Purchase Agreement dated August 12, 2004	6
10.14 Employment Agreement with Albert J. Neupaver, dated February 1, 2006	8
10.15 Restricted Stock Agreement with Albert J. Neupaver, dated February 1, 2006	8
10.16 Stock Purchase Agreement, by and among Wabtec Holding Company, certain shareholders of Schaefer Manufacturing, Inc. and CCP Limited Partnership, dated October 6, 2006	10
10.17 Share Purchase Agreement, by and between BBA Holding Deutschland GmbH and Westinghouse Air Brake Technologies Corporation, dated November 27, 2006 (Exhibits and Schedules omitted, but will be provided to the Commission upon request)	11
10.18 Share Purchase Agreement dated as of June 8, 2007 among the Company, RICON Acquisition Corp., RICON Corp., CGW Southeast Partners IV, L.P. and William L. Baldwin	12
10.19 Stock Purchase Agreement, by and between the Company and Polinvest S.r.l., dated May 16, 2008	13

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	<u>Filing Method</u>	
10.20	Stock Purchase Agreement, by and among the Company, Standard Car Truck Company and Robclif, Inc., dated September 12, 2008	14
10.21	Refinancing Credit Agreement by and among the Company, the Guarantors, various lenders, PNC Bank, National Association, PNC Capital Markets LLC, J.P. Morgan Securities, Inc., RBS Greenwich Capital, JP Morgan Chase Bank, Bank of America, N.A., Citizens Bank of Pennsylvania, the Bank of Nova Scotia and First Commonwealth Bank, dated as of November 4, 2008	1
21	List of subsidiaries of the Company	1
23.1	Consent of Ernst & Young LLP	1
31.1	Rule 13a-14(a)/15d-14(a) Certifications	1
31.2	Rule 13a-14(a)/15d-14(a) Certifications	1
32.1	Section 1350 Certifications	1
1	Filed herewith.	
2	Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866).	
3	Filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903).	
4	Filed as an exhibit to the Company's Current Report on Form 8-K, dated November 13, 2001.	
5	Filed as an exhibit to the Company's Registration Statement on Form S-4 (No. 333-110600).	
6	Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2004.	
7	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 13, 2007.	
8	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2006	
9	Filed as an Annex to the Company's Schedule 14A Proxy Statement filed on April 13, 2006.	
10	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006.	
11	Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2006.	
12	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007.	
13	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2008.	
14	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008.	

MANAGEMENT'S REPORTS TO WABTEC SHAREHOLDERS

Management's Report on Financial Statements and Practices

The accompanying consolidated financial statements of Westinghouse Air Brake Technologies Corporation and subsidiaries (the "Company") were prepared by Management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on Management's best judgments and estimates. The other financial information included in the 10-K is consistent with that in the financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of host countries in which the Company operates and potentially conflicting outside business interests of its employees. The Company maintains a systematic program to assess compliance with these policies.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, Management has conducted an assessment, including testing, using the criteria in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting standards. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded Poli SpA (Poli) and Standard Car Truck (SCT) from its assessment of internal controls over financial reporting as of December 31, 2008 because Poli and SCT were acquired by the Company in a purchase business combination effective June 30, 2008 and December 5, 2008, respectively. Poli and SCT are wholly owned subsidiaries whose total assets represents 6.4% and 21.3%, respectively and net sales represents 1.0% and 0.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2008.

Based on its assessment, Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2008, based on criteria in Internal Control-Integrated Framework issued by the COSO. The effectiveness of the Company's internal control over financial reporting as of December 31, 2008, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Management's Certifications

The certifications of the Company's Chief Executive Officer and Chief Financial Officer required by the Sarbanes-Oxley Act have been included in Exhibits 31 and 32 in the Company's 10-K. In addition, in 2008, the Company's Chief Executive Officer provided to the New York Stock Exchange the annual CEO certification regarding the Company's compliance with the New York Stock Exchange's corporate governance listing standards.

By /s/ ALBERT J. NEUPAVER
 Albert J. Neupaver,
 President, Chief Executive Officer and Director

By /s/ ALVARO GARCIA-TUNON
 Alvaro Garcia-Tunon,
 Senior Vice President,
 Chief Financial Officer and Secretary

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As explained in Note 11 in the "Notes to Consolidated Financial Statements", for the year ended December 31, 2007 the Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109". As explained in Note 10 in the "Notes to Consolidated Financial Statements", at December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 23, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Westinghouse Air Brake Technologies Corporation:

We have audited Westinghouse Air Brake Technologies Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Westinghouse Air Brake Technologies Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Poli SpA and Standard Car Truck, which are included in the 2008 consolidated financial statements of Westinghouse Air Brake Technologies Corporation and constituted 6.4% and 21.3% of total assets as of December 31, 2008, respectively and 1.0% and 0.7% of net sales for the year then ended, respectively. Our audit of internal control over financial reporting of Westinghouse Air Brake Technologies Corporation also did not include an evaluation of the internal control over financial reporting of Poli SpA and Standard Car Truck.

In our opinion, Westinghouse Air Brake Technologies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Westinghouse Air Brake Technologies Corporation as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Westinghouse Air Brake Technologies Corporation and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 23, 2009

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS

<i>In thousands, except share and par value</i>	December 31,	
	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 141,805	\$ 234,689
Accounts receivable	273,560	222,235
Inventories	264,158	175,977
Deferred income taxes	31,133	24,766
Other	14,693	8,100
Total current assets	725,349	665,767
Property, plant and equipment	431,604	417,157
Accumulated depreciation	(224,056)	(234,720)
Property, plant and equipment, net	207,548	182,437
Other Assets		
Goodwill	319,449	232,593
Other intangibles, net	236,740	58,673
Deferred income taxes	1,052	4,316
Other noncurrent assets	17,382	14,916
Total other assets	574,623	310,498
Total Assets	<u>\$1,507,520</u>	<u>\$1,158,702</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 162,633	\$ 137,226
Customer deposits	80,353	67,291
Accrued compensation	36,483	30,519
Accrued warranty	20,933	14,390
Current portion of long-term debt	30,381	73
Commitments and contingencies	451	785
Other accrued liabilities	56,817	44,951
Total current liabilities	388,051	295,235
Long-term debt	356,699	150,177
Reserve for postretirement and pension benefits	69,343	53,539
Deferred income taxes	12,870	9,834
Commitments and contingencies	1,019	1,159
Accrued warranty	9,743	7,924
Other long-term liabilities	24,424	23,566
Total liabilities	862,149	541,434
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value; 100,000,000 shares authorized: 66,174,767 shares issued and 47,907,357 and 48,698,344 outstanding at December 31, 2008 and 2007, respectively	662	662
Additional paid-in capital	328,587	320,928
Treasury stock, at cost, 18,267,410 and 17,476,423 shares, at December 31, 2008 and 2007, respectively	(276,421)	(238,131)
Retained earnings	653,083	524,538
Accumulated other comprehensive (loss) income	(60,540)	9,271
Total shareholders' equity	645,371	617,268
Total Liabilities and Shareholders' Equity	<u>\$1,507,520</u>	<u>\$1,158,702</u>

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>In thousands, except per share data</i>	Year ended December 31,		
	2008	2007	2006
Net sales	\$ 1,574,749	\$ 1,360,088	\$ 1,087,620
Cost of sales	(1,147,563)	(990,469)	(790,843)
Gross profit	427,186	369,619	296,777
Selling, general and administrative expenses	(170,597)	(148,437)	(130,294)
Engineering expenses	(38,981)	(37,434)	(32,701)
Amortization expense	(5,092)	(4,007)	(3,631)
Total operating expenses	(214,670)	(189,878)	(166,626)
Income from operations	212,516	179,741	130,151
Other income and expenses			
Interest expense, net	(8,508)	(3,637)	(2,177)
Other income (expense), net	292	(3,650)	(1,417)
Income from continuing operations before income taxes	204,300	172,454	126,557
Income tax expense	(73,746)	(63,067)	(40,063)
Income from continuing operations	130,554	109,387	86,494
Income (loss) from discontinued operations (net of tax)	(3)	183	(1,690)
Net income	<u>\$ 130,551</u>	<u>\$ 109,570</u>	<u>\$ 84,804</u>
Earnings Per Common Share			
Basic			
Income from continuing operations	\$ 2.71	\$ 2.25	\$ 1.79
Income (loss) from discontinued operations	—	0.01	(0.04)
Net income	<u>\$ 2.71</u>	<u>\$ 2.26</u>	<u>\$ 1.75</u>
Diluted			
Income from continuing operations	\$ 2.67	\$ 2.23	\$ 1.76
Loss from discontinued operations	—	—	(0.03)
Net income	<u>\$ 2.67</u>	<u>\$ 2.23</u>	<u>\$ 1.73</u>
Weighted average shares outstanding			
Basic	48,232	48,530	48,322
Diluted	48,847	49,141	49,108

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In thousands</i>	Year Ended December 31,		
	2008	2007	2006
Operating Activities			
Net income	\$ 130,551	\$ 109,570	\$ 84,804
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	29,826	29,140	25,304
Stock-based compensation expense	10,475	11,252	9,191
Deferred income taxes	4,870	(2,278)	4,125
Excess income tax benefits from exercise of stock options	(1,922)	(2,098)	(4,382)
Discontinued operations	(38)	(232)	1,425
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	(20,841)	(31,568)	45,669
Inventories	(42,726)	(14,317)	(17,811)
Accounts payable	14,303	32,759	(7,359)
Accrued income taxes	(511)	13,513	3,179
Accrued liabilities and customer deposits	31,512	(4,308)	5,024
Other assets and liabilities	3,885	1,076	1,858
Net cash provided by operating activities	159,384	142,509	151,027
Investing Activities			
Purchase of property, plant and equipment	(19,715)	(20,419)	(20,942)
Proceeds from disposal of property, plant and equipment	406	127	1,933
Acquisitions of businesses, net of cash acquired	(398,132)	(73,642)	(87,201)
Discontinued operations	—	398	1,448
Net cash used for investing activities	(417,441)	(93,536)	(104,762)
Financing Activities			
Proceeds from debt	236,000	—	—
Payments of debt	(385)	(657)	—
Debt financing costs	(2,858)	—	—
Stock repurchase	(45,796)	(17,888)	(18,874)
Proceeds from treasury stock from stock based benefit plans	2,768	5,406	14,630
Excess income tax benefits from exercise of stock options	1,922	2,098	4,382
Cash dividends	(1,940)	(1,944)	(1,945)
Net cash provided by (used for) financing activities	189,711	(12,985)	(1,807)
Effect of changes in currency exchange rates	(24,538)	10,722	2,156
(Decrease)/increase in cash	(92,884)	46,710	46,614
Cash, beginning of year	234,689	187,979	141,365
Cash, end of year	<u>\$ 141,805</u>	<u>\$ 234,689</u>	<u>\$ 187,979</u>

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>In thousands, except share and per share data</i>	Comprehensive Income (Loss)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2005		66,174,767	\$ 662	\$ 294,209	(18,171,948)	\$(225,483)	\$ 336,744	\$ (26,925)	\$379,207
Cash dividends (\$0.04 dividend per share)							(1,945)		(1,945)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax				7,702	903,857	11,310			19,012
Stock-based Compensation				8,967	18,000	224			9,191
Reclass of stock liability				3,874					3,874
Net income	\$ 84,804						84,804		84,804
Translation adjustment	12,504							12,504	12,504
Unrealized losses on foreign exchange contracts, net of \$(978) tax	(1,702)							(1,702)	(1,702)
Additional minimum pension liability, net of \$2,424 tax	6,752							6,752	6,752
Stock Repurchase					(673,900)	(18,874)			(18,874)
Total comprehensive income	<u>\$ 102,358</u>								
Adjustment to initially apply SFAS 158, net of \$(14,889) tax								(22,934)	(22,934)
Balance, December 31, 2006		66,174,767	\$ 662	\$ 314,752	(17,923,991)	\$(232,823)	\$ 419,603	\$ (32,305)	\$469,889
Adjustment to Beginning Retained Earnings due to adoption of FIN 48							(2,691)		(2,691)
Cash dividends (\$0.04 dividend per share)							(1,944)		(1,944)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax				(5,076)	957,368	12,580			7,504
Stock-based Compensation				11,252					11,252
Net income	\$ 109,570						109,570		109,570
Translation adjustment	29,554							29,554	29,554
Unrealized gains on foreign exchange contracts, net of \$475 tax	825							825	825
Change in pension and post retirement benefit plans, net of \$7,008 tax	11,197							11,197	11,197
Stock Repurchase					(509,800)	(17,888)			(17,888)
Total comprehensive income	<u>\$ 151,146</u>								
Balance, December 31, 2007		66,174,767	\$ 662	\$ 320,928	(17,476,423)	\$(238,131)	\$ 524,538	\$ 9,271	\$617,268
Adjustment to Beginning Retained Earnings due to adoption of FAS 158							(66)		(66)
Cash dividends (\$0.04 dividend per share)							(1,940)		(1,940)
Proceeds from treasury stock issued from the exercise of stock options and other benefit plans, net of tax				(2,816)	526,913	7,506			4,690
Stock-based Compensation				10,475					10,475
Net income	\$ 130,551						130,551		130,551
Translation adjustment	(59,722)							(59,722)	(59,722)
Unrealized gains on foreign exchange contracts, net of \$15 tax	26							26	26
Change in pension and post retirement benefit plans, net of \$4,493 tax	(10,115)							(10,115)	(10,115)
Stock Repurchase					(1,317,900)	(45,796)			(45,796)
Total comprehensive income	<u>\$ 60,740</u>								
Balance, December 31, 2008		66,174,767	\$ 662	\$ 328,587	(18,267,410)	\$(276,421)	\$ 653,083	\$ (60,540)	\$645,371

The accompanying notes are an integral part of these statements

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Wabtec is one of the world's largest providers of value-added, technology-based products and services for the global rail industry. Our products are found on virtually all U.S. locomotives, freight cars and passenger transit vehicles, as well as in more than 104 countries throughout the world. Our products enhance safety, improve productivity and reduce maintenance costs for customers, and many of our core products and services are essential in the safe and efficient operation of freight rail and passenger transit vehicles. Wabtec is a global company with operations in 16 countries. In 2008, about 41% of the Company's revenues came from customers outside the U.S.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. Such statements have been prepared in accordance with generally accepted accounting principles. Sales between subsidiaries are billed at prices consistent with sales to third parties and are eliminated in consolidation.

Cash Equivalents Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Allowance for Doubtful Accounts The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The allowance for doubtful accounts was \$5.0 million and \$4.6 million as of December 31, 2008 and 2007, respectively.

Inventories Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory costs include material, labor and overhead.

Property, Plant and Equipment Property, plant and equipment additions are stated at cost. Expenditures for renewals and improvements are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company provides for book depreciation principally on the straight-line method. Accelerated depreciation methods are utilized for income tax purposes.

Leasing Arrangements The Company conducts a portion of its operations from leased facilities and finances certain equipment purchases through lease agreements. In those cases in which the lease term approximates the useful life of the leased asset or the lease meets certain other prerequisites, the leasing arrangement is classified as a capital lease. The remaining arrangements are treated as operating leases.

Intangible Assets Goodwill and other intangible assets with indefinite lives are not amortized. Other intangibles (with definite lives) are amortized on a straight-line basis over their estimated economic lives. Goodwill and indefinite lived intangible assets are reviewed annually for impairment and more frequently when indicators of impairment are present. Amortizable intangible assets are reviewed for impairment when indicators of impairment are present.

The evaluation of impairment involves comparing the current fair value of the business to the recorded value (including goodwill). The Company uses a combination of a guideline public company market approach and a discounted cash flow model ("DCF model") to determine the current fair value of the business. A number of significant assumptions and estimates are involved in the application of the DCF model to forecasted operating cash flows, including markets and market share, sales volume and pricing, costs to produce and working capital

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changes. Management considers historical experience and all available information at the time the fair values of its business are estimated. However, actual fair value that could be realized could differ from those used to evaluate the impairment of goodwill.

Warranty Costs Warranty costs are accrued based on Management's estimates of repair or upgrade costs per unit and historical experience. Warranty expense was \$17.1 million, \$10.4 million and \$10.6 million for 2008, 2007 and 2006, respectively. Warranty reserves were \$30.7 million and \$22.3 million at December 31, 2008 and 2007, respectively.

Income Taxes Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The provision for income taxes includes federal, state and foreign income taxes.

Stock-Based Compensation Effective January 1, 2006, the Company recognizes compensation expense for stock-based compensation based on the grant date fair value. This expense must be recognized ratably over the requisite service period following the date of grant.

Financial Derivatives and Hedging Activities The Company has entered into foreign currency forward contracts to reduce the impact of changes in currency exchange rates. Forward contracts are agreements with a counterparty to exchange two distinct currencies at a set exchange rate for delivery on a set date at some point in the future. There is no exchange of funds until the delivery date. At the delivery date the Company can either take delivery of the currency or settle on a net basis.

At December 31, 2008, the Company had forward contracts for the sale of South African Rand (ZAR) and the purchase of U.S. Dollars (USD). The Company concluded that these foreign currency forward contracts qualify for cash flow hedge accounting which permits the recording of the fair value of the forward contract and corresponding adjustment to other comprehensive income (loss), net of tax, on the balance sheet. As of December 31, 2008, the Company had forward contracts with a notional value of \$5.0 million ZAR (or \$557,000 U.S.) with an average exchange rate of \$8.97 ZAR per \$1 USD, resulting in the recording of a current asset of \$41,000 and a corresponding offset in accumulated other comprehensive income of \$26,000, net of tax.

At December 31, 2007, the Company had forward contracts for the sale of USD and the purchase of Euro with a notional value of €2.3 million Euro (or \$3.1 million USD), with an average exchange rate of \$1.32 USD per €1 Euro. These forward contracts are used to mitigate the variability in cash flows from the payment of liabilities denominated in currencies other than the USD. Since the Company does not treat these derivatives as hedges, the change in fair value of both the forward contracts and the related liabilities are recorded in the income statement. In 2007, the Company recorded a fair value gain in the amount of \$315,000.

Foreign Currency Translation Assets and liabilities of foreign subsidiaries, except for the Company's Mexican operations whose functional currency is the U.S. Dollar, are translated at the rate of exchange in effect on the balance sheet date while income and expenses are translated at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from transactions, and the translation of financial statements are recorded in the Company's consolidated financial statements based upon the provisions of SFAS No. 52, "Foreign Currency Translation." The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of shareholders' equity. The effects of currency exchange rate changes on intercompany transactions that are non U.S. dollar denominated amounts are charged or credited to earnings. Foreign exchange intercompany transaction losses recognized in income were \$399,000, \$3.2 million and \$1.1 million for 2008, 2007 and 2006, respectively.

Other Comprehensive Income (Loss) Comprehensive income (loss) is defined as net income and all other non-owner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss)

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consists of foreign currency translation adjustments, foreign currency hedges, foreign exchange contracts and pension related adjustments.

Revenue Recognition Revenue is recognized in accordance with Staff Accounting Bulletins (SABs) 101, "Revenue Recognition in Financial Statements" and 104 "Revision of Topic 13." Revenue is recognized when products have been shipped to the respective customers, title has passed and the price for the product has been determined.

The Company recognizes revenues on long-term contracts based on the percentage of completion method of accounting. The units-of-delivery method or other input-based or output-based measures, as appropriate, are used to measure the progress toward completion of individual contracts. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as such amounts are determined. Provisions are made currently for estimated losses on uncompleted contracts.

Certain pre-production costs relating to long-term production and supply contracts have been deferred and will be recognized over the life of the contracts. Deferred pre-production costs were \$11.0 million and \$9.5 million at December 31, 2008 and 2007, respectively.

Significant Customers and Concentrations of Credit Risk The Company's trade receivables are primarily from rail and transit industry original equipment manufacturers, Class I railroads, railroad carriers and commercial companies that utilize rail cars in their operations, such as utility and chemical companies. No one customer accounted for more than 10% of the Company's consolidated net sales in 2008, 2007 and 2006.

Shipping and Handling Fees and Costs All fees billed to the customer for shipping and handling are classified as a component of net revenues. All costs associated with shipping and handling is classified as a component of cost of sales.

Research and Development Research and development costs are charged to expense as incurred. For the years ended December 31, 2008, 2007 and 2006, the Company incurred costs of approximately \$39.0 million, \$37.4 million and \$32.7 million, respectively.

Employees As of December 31, 2008, approximately 32% of the Company's workforce was covered by collective bargaining agreements. These agreements are generally effective through 2009, 2010, and 2011. Agreements expiring in 2009 cover approximately 19% of the Company's workforce.

Earnings Per Share Basic earnings per common share are computed by dividing net income applicable to common shareholders by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income applicable to common shareholders by the weighted average number of shares of common stock outstanding adjusted for the assumed conversion of all dilutive securities (such as employee stock options).

Reclassifications Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates. On an ongoing basis, Management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recent Accounting Pronouncements In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in

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generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model. Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) 157-1, 157-2, and 157-3. FSP 157-1 amends SFAS 157 to exclude SFAS 13 and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP 157-3 clarifies the application of SFAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. The Company does not have any financial assets that are valued using inactive markets, and as such is not impacted by the issuance of this FSP. The Company adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Refer to Note 18 for additional discussion on fair value measurements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115” (SFAS 159). SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS 159 and has elected not to measure any additional financial instruments and other items at fair value.

In December 2007, the FASB issued SFAS No. 141 (Revised), “Business Combinations” (SFAS 141(R)), replacing SFAS No. 141, “Business Combinations” (SFAS 141), and SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an Amendment of ARB No. 51” (SFAS 160). SFAS 141(R) retains the fundamental requirements of SFAS 141, broadens its scope by applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, and requires, among other things, that assets acquired and liabilities assumed be measured at fair value as of the acquisition date, that liabilities related to contingent consideration be recognized at the acquisition date and remeasured at fair value in each subsequent reporting period, that acquisition-related costs be expensed as incurred, and that income be recognized if the fair value of the net assets acquired exceeds the fair value of the consideration transferred. SFAS 160 establishes accounting and reporting standards for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent’s ownership interest in a subsidiary and requires, among other things, that noncontrolling interests in subsidiaries be classified as a separate component of equity. Except for the presentation and disclosure requirements of SFAS 160, which are to be applied retrospectively for all periods presented, SFAS 141(R) and SFAS 160 are to be applied prospectively in financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of adopting these statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an Amendment FASB Statement No. 133” (SFAS 161). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 applies to all derivative instruments within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The Company is currently evaluating the disclosure implications of adopting this statement.

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In June 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the provisions of FSP EITF 03-6-1. The Company is currently evaluating the impact of adopting FSP EITF 03-6-1.

In December 2008, the FASB issued FSP SFAS No. 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP SFAS 132(R)-1). FSP SFAS 132(R)-1 amends SFAS No. 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”, (SFAS 132(R)), to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The additional disclosure requirements under this FSP include expanded disclosures about an entity’s investment policies and strategies, the categories of plan assets, concentrations of credit risk and fair value measurements of plan assets. The Company is currently evaluating the disclosure implications of adopting this statement.

3. ACQUISITIONS AND DISCONTINUED OPERATIONS

On December 5, 2008, the Company acquired Standard Car Truck Company (“SCT”), a manufacturer and designer of stabilization systems for freight cars, including engineered truck (undercarriage) components such as springs, friction wedges and wear plates. Its Barber® brand truck design is used throughout the world and holds a leading share of the North American market. The company also manufactures and services locomotives components, including compressors and pumps. The purchase price was \$302.9 million, net of cash received, resulting in preliminary additional goodwill of \$67.6 million, of which all will be deductible for tax purposes. Included in the purchase price of \$302.9 million is \$25.0 million related to an escrow deposit, which may be released to the Company for working capital adjustments or indemnity claims in accordance with the purchase and escrow agreements. On December 5, 2008, the Company acquired a majority of Beijing Wabtec Huaxia Technology Company, Ltd. (“Huaxia”) for \$5.6 million and invested \$2.8 million for a minority interest in a joint venture in China. Huaxia and the China joint venture manufactures a variety of brake shoes, pads and friction linings for the freight car market in China. On October 27, 2008, the Company acquired certain assets related to the development, sale, service, and maintenance of software programs used in train management systems for \$4.5 million. On June 30, 2008, the Company acquired 100% of the stock of Poli S.p.A. (Poli), a European based manufacturer of rail braking equipment including brake discs for high speed applications, as well as tread brake units and pneumatic brake valves that meet International Union of Railways (UIC) standards. Poli will primarily operate as a business of Wabtec’s Transit Group. The purchase price was €52.2 million (about \$82.3 million USD), net of cash received, resulting in preliminary additional goodwill of \$26.8 million, of which none will be deductible for tax purposes. Included in the purchase price is \$11.8 million related to an escrow deposit, which may be released to the Company for indemnity claims, environmental claims or allocation of tax liabilities in accordance with the purchase and escrow agreements.

On June 8, 2007, the Company acquired 100% of the stock of Ricon Corporation (Ricon), a manufacturer of a variety of electro-mechanical wheelchair lifts and ramps and anti-graffiti windows. The purchase price was \$73.6 million resulting in additional goodwill of \$49.7 million, of which none will be deductible for tax purposes. Included in the purchase price of \$73.6 million is \$6.5 million related to an escrow deposit, which may be released to the Company for working capital adjustments or indemnity claims in accordance with the purchase and escrow agreements.

On October 6, 2006, the Company acquired 100% of the stock of Schaefer Equipment, Inc. (Schaefer), a manufacturer of a variety of forged components for body-mounted and truck-mounted braking systems. The

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purchase price was \$36.7 million, net of cash received, resulting in additional goodwill of \$24.8 million, of which none will be deductible for tax purposes. On December 1, 2006, the Company acquired 100% of the stock of Becorit GmbH (Becorit), a manufacturer of a variety of brake shoes, pads and friction linings for passenger transit cars, freight cars and locomotives, and friction products for industrial markets such as mining and wind power generation. The purchase price was \$51.3 million, net of cash received, resulting in additional goodwill of \$32.2 million, of which none will be deductible for tax purposes.

Operating results have been included in the consolidated statement of operations from the acquisition date forward.

For the SCT, Poli and Ricon acquisition, the following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

<i>In thousands</i>	SCT	Poli	Ricon
	December 5, 2008	June 30, 2008	June 8, 2007
Current assets	\$ 83,805	\$ 21,757	\$ 21,200
Property, plant & equipment	29,829	12,044	3,000
Goodwill and other intangible assets	214,262	63,198	71,300
Other assets	1,123	316	100
Total assets acquired	329,019	97,315	95,600
Total liabilities assumed	(26,117)	(15,052)	(22,000)
Net assets acquired	<u>\$ 302,902</u>	<u>\$ 82,263</u>	<u>\$ 73,600</u>

The allocation of \$21.6 million of acquired intangible assets for Ricon, exclusive of goodwill, \$9.7 million was assigned to trade name, \$9.3 million was assigned to customer relationships, \$1.8 million was assigned to patents and \$760,000 was assigned to customer backlog. The trade name is considered to have an indefinite useful life while the customer relationships and patents average useful life is 10 years. Of the preliminary allocation of \$146.7 million of acquired intangible assets for SCT exclusive of goodwill, \$25.1 million was assigned to trade name, \$113.8 million was assigned to customer relationships, \$1.2 million was assigned to patents, \$1.1 million was assigned to customer backlog and \$5.5 million was assigned to long term contracts. The trade name is considered to have an indefinite useful life while the customer relationships average useful life is 25 years and patents average useful life is 9 years. Of the preliminary allocation of \$36.4 million of acquired intangible assets for Poli, exclusive of goodwill, \$18.8 million was assigned to trade name, \$16.8 million was assigned to customer relationships, \$449,000 was assigned to patents and \$312,000 was assigned to customer backlog. The trade name is considered to have an indefinite useful life while the customer relationships average useful life is 15 years and patents average useful life is 8 years.

The following unaudited pro forma financial information presents income statement results as if all the acquisitions listed above had occurred January 1, 2007:

<i>In thousands, except per share</i>	For the year ended December 31,	
	2008	2007
Net sales	1,833,505	1,659,257
Gross profit (1)	493,965	452,371
Net income (1)	108,595	131,617
Diluted earnings per share		
As reported	\$ 2.67	\$ 2.23
Pro forma	\$ 2.22	\$ 2.68

- (1) For the year ended December 31, 2008, gross profit and net income include \$48.5 million of expense for management incentive bonus recorded by SCT in conjunction with signing the purchase agreement.

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In accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", the operating results of these businesses have been classified as discontinued operations for all years presented and are summarized as of December 31, as follows:

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	2006
Net sales	\$ —	\$ —	\$ 2,600
Income (loss) before income taxes	(4)	314	(1,504)
Income tax benefit (expense)	1	(131)	(186)
Income (loss) from discontinued operations	\$ (3)	\$ 183	\$ (1,690)

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	2006
Interest paid during the year	\$ 11,449	\$ 10,601	\$ 10,713
Income taxes paid during the year, net of amount refunded	62,798	49,841	33,065
Business acquisitions:			
Fair value of assets acquired	\$ 447,406	\$ 95,600	\$ 119,000
Liabilities assumed	41,169	22,000	26,900
Cash paid	406,237	73,600	92,100
Less cash acquired	8,105	—	4,900
Net cash paid	\$ 398,132	\$ 73,600	\$ 87,200

On July 31, 2006, the Board of Directors authorized the repurchase of up to \$50 million of the Company's outstanding shares. On February 20, 2008 the Board of Directors authorized the repurchase of up to an additional \$100 million of the Company's outstanding shares. The Company intends to purchase these shares on the open market or in negotiated or block trades. No time limit was set for the completion of the program. The program qualifies under the Refinancing Credit Agreement or 2008 Refinancing Credit Agreement, as applicable, as well as the 6 ⁷/₈% Senior Notes currently outstanding.

No shares were purchased during the first quarter of 2007. During the second quarter of 2007, the Company repurchased 92,700 shares of Wabtec stock at an average price of \$36.87 per share. During the third quarter of 2007, the Company repurchased 38,500 shares of Wabtec stock at an average price of \$36.22 per share. During the fourth quarter of 2007, the Company repurchased 378,600 shares of Wabtec stock at an average price of \$34.50 per share. All purchases were on the open market.

During the first quarter of 2008, the Company repurchased 712,900 shares at an average price of \$34.29 per share, exhausting the \$50.0 million authorization made in 2006. During the second quarter of 2008, the Company repurchased 5,200 shares at an average price of \$35.97 per share. No additional shares were repurchased during the third quarter of 2008. During the fourth quarter of 2008, the Company repurchased 599,800 shares at an average price of \$35.22 per share. All purchases were on the open market.

5. RESTRUCTURING AND IMPAIRMENT CHARGES

Wabtec downsized two of its Canadian plants, in Stoney Creek and Wallaceburg, by moving certain products to lower-cost facilities and outsourcing. For the years ended December 31, 2008, 2007 and 2006, Wabtec recorded charges of \$4.6 million, \$3.6 million and \$6.8 million, respectively. For the year ended December 31, 2007, additional severance, pension, and asset impairment charges of \$1.5 million were recorded related to other Canadian operations. All of these costs were paid as of December 31, 2008.

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Total charges for restructuring and other expenses recorded to date have been \$16.5 million, comprised of the \$5.6 million for employee severance costs associated for approximately 400 salaried and hourly employees; \$5.5 million of pension and postretirement benefit curtailment for those employees; \$4.8 million related to asset impairments for structures, machinery, and equipment; and \$541,000 for goodwill impairment. Severance costs are contractual liabilities and payment is dependent on the waiver by or expiration of certain seniority rights of those employees. As of December 31, 2008, \$3.9 million of this amount had been paid.

6. INVENTORIES

The components of inventory, net of reserves, were:

<i>In thousands</i>	December 31,	
	2008	2007
Raw materials	\$ 95,270	\$ 68,542
Work-in-process	89,474	71,282
Finished goods	79,414	36,153
Total inventories	<u>\$ 264,158</u>	<u>\$ 175,977</u>

7. PROPERTY, PLANT & EQUIPMENT

The major classes of depreciable assets are as follows:

<i>In thousands</i>	December 31,	
	2008	2007
Machinery and equipment	\$ 308,189	\$ 305,254
Buildings and improvements	110,804	100,417
Land and improvements	9,194	9,346
Locomotive leased fleet	3,417	2,140
PP&E	<u>431,604</u>	<u>417,157</u>
Less: accumulated depreciation	<u>(224,056)</u>	<u>(234,720)</u>
Total	<u>\$ 207,548</u>	<u>\$ 182,437</u>

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10 to 20
Buildings and improvements	20 to 40
Machinery and equipment	3 to 15
Locomotive leased fleet	4 to 15

Depreciation expense was \$24.7 million, \$25.1 million, and \$21.7 million for 2008, 2007 and 2006, respectively.

8. INTANGIBLES

Goodwill and other intangible assets with indefinite lives are not amortized. Instead, they are subject to periodic assessments for impairment by applying a fair-value-based test. The fair value of these reporting units was determined using a combination of discounted cash flow analysis and market multiples based upon historical and projected financial information.

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Goodwill is \$319.4 million and \$232.6 million at December 31, 2008 and 2007, respectively. The change in the carrying amount of goodwill by segment for the year ended December 31, 2008 is as follows:

<i>In thousands</i>	<u>Freight Group</u>	<u>Transit Group</u>	<u>Total</u>
Balance at December 31, 2007	\$ 114,829	\$ 117,764	\$ 232,593
Adjustment to preliminary purchase allocation	—	1,742	1,742
Acquisition	69,575	23,544	93,119
Foreign currency impact	(2,157)	(5,848)	(8,005)
Balance at December 31, 2008	<u>\$ 182,247</u>	<u>\$ 137,202</u>	<u>\$ 319,449</u>

As of December 31, 2008 and 2007, the Company's trademarks had a net carrying amount of \$75.6 million and \$34.5 million, respectively, and the Company believes these intangibles have an indefinite life. Intangible assets of the Company, other than goodwill and trademarks, consist of the following:

<i>In thousands</i>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Patents and other, net of accumulated amortization of \$28,294 and \$25,620	\$ 19,409	\$ 8,702
Customer relationships, net of accumulated amortization of \$3,399 and \$1,320	141,739	15,450
Total	<u>\$ 161,148</u>	<u>\$ 24,152</u>

The weighted average useful lives of patents, customer relationships and intellectual property were 8 years, 14 years and 25 years respectively. Amortization expense for intangible assets was \$5.0 million, \$3.9 million, and \$3.5 million for the years ended December 31, 2008, 2007, and 2006, respectively.

Amortization expense for the five succeeding years is as follows (in thousands):

2009	\$ 10,129
2010	\$ 8,466
2011	\$ 8,397
2012	\$ 8,306
2013	\$ 8,125

9. LONG-TERM DEBT

Long-term debt consisted of the following:

<i>In thousands</i>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
6.875% senior notes, due 2013	\$ 150,000	\$ 150,000
Term Loan Facility	200,000	—
Revolving Credit Facility	36,000	—
Capital Leases	1,080	250
Total	<u>387,080</u>	<u>150,250</u>
Less—current portion	<u>30,381</u>	<u>73</u>
Long-term portion	<u>\$ 356,699</u>	<u>\$ 150,177</u>

2008 Refinancing Credit Agreement

On November 4, 2008, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This "2008 Refinancing Credit Agreement" provides the company with a \$300

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million five-year revolving credit facility and a \$200 million five-year term loan facility. The Company incurred \$2.9 million of deferred financing cost related to the 2008 Refinancing Credit Agreement. Both facilities expire in January 2013. The 2008 Refinancing Credit Agreement borrowings bear variable interest rates indexed to the indices described below. At December 31, 2008, the Company had available bank borrowing capacity, net of \$57.3 million of letters of credit, of approximately \$242.7 million, subject to certain financial covenant restrictions.

Under the 2008 Refinancing Credit Agreement, the Company may elect a Base Rate of interest or an interest rate based on the London Interbank Offered Rate ("LIBOR") of interest ("the Alternate Rate"). The Base Rate adjusts on a daily basis and is the greater of the PNC, N.A. prime rate, 30-day LIBOR plus 150 basis points or the Federal Funds Effective Rate plus 0.5% per annum, plus a margin that ranges from 25 to 50 basis points. The Alternate rate is based on quoted LIBOR rates plus a margin that ranges from 125 to 200 basis points. Both the Base Rate and Alternate Rate margins are dependent on the Company's consolidated total indebtedness to cash flow ratios. The initial Base Rate margin is 25 basis points and the initial Alternate Rate margin is 175 basis points. At December 31, 2008 the weighted average interest rate on the Company's variable rate debt was 3.32%.

The 2008 Refinancing Credit Agreement limits the Company's ability to declare or pay cash dividends and prohibits the Company from declaring or making other distributions, subject to certain exceptions. The 2008 Refinancing Credit Agreement contains various other covenants and restrictions including the following limitations: incurrence of additional indebtedness; mergers, consolidations, sales of assets and acquisitions; additional liens; sale and leasebacks; permissible investments, loans and advances; certain debt payments; and imposes a minimum interest expense coverage ratio of 3.0 and a maximum debt to cash flow ratio of 3.25. The Company is in compliance with these measurements and covenants and expects that these measurements will not be any type of limiting factor in executing our operating activities.

Refinancing Credit Agreement

In January 2004, the Company refinanced its existing unsecured revolving credit agreement with a consortium of commercial banks. This "Refinancing Credit Agreement" provided a \$175 million five-year revolving credit facility expiring in January 2009. In November 2005, the Company entered into an amendment to the Refinancing Credit Agreement which extended the expiration of the agreement. The Company entered into another amendment to its Refinancing Credit Agreement in February 2007 which permitted the Company to complete any acquisitions without prior approval of the bank consortium as long as certain financial parameters and ratios are met. Refinancing Credit Agreement variable interest rates were indexed to certain indices. The Company may have elected a base interest rate or an interest rate based on the LIBOR. The base interest rate was the greater of LaSalle Bank National Association's prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate was based on LIBOR plus a margin that ranges from 62.5 to 175 basis points depending on the Company's consolidated total indebtedness to cash flow ratios. The margin was 62.5 basis points.

The Company did not borrow under the Refinancing Credit Agreement during 2007 or 2006.

6.875% Senior Notes Due August 2013

In August 2003, the Company issued \$150 million of Senior Notes due in 2013 ("the Notes"). The Notes were issued at par. Interest on the Notes accrues at a rate of 6.875% per annum and is payable semi-annually on January 31 and July 31 of each year. The proceeds were used to repay debt outstanding under the Company's existing credit agreement, and for general corporate purposes. The principal balance is due in full at maturity.

The Notes are senior unsecured obligations of the Company and rank pari passu with all existing and future senior debt and senior to all our existing and future subordinated indebtedness of the Company. The indenture under which the Notes were issued contains covenants and restrictions which limit among other things, the following: the incurrence of indebtedness, payment of dividends and certain distributions, sale of assets, change in control, mergers and consolidations and the incurrence of liens.

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Capital Leases

Capital leases were acquired in the Poli, Standard Car Truck and Ricon acquisitions.

Scheduled principal repayments of debt and capital lease balances as of December 31, 2008 are as follows:

2009	\$ 30,381
2010	32,732
2011	40,216
2012	40,053
2013	243,530
Future years	168
Total	<u>\$ 387,080</u>

10. EMPLOYEE BENEFIT PLANS

The Company sponsors various defined benefit plans including pension and post retirement benefits as disclosed below. Effective January 1, 2008, the Company early-adopted the measurement date (the date at which plan assets and the benefit obligation are measured) provisions of Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). Under SFAS 158, the measurement date is required to be the Company's fiscal year-end. The Company's U.K. defined benefit pension plan previously used an October 31 measurement date. All plans are now measured as of December 31, consistent with the Company's fiscal year-end. The non-cash effect of the adoption of the measurement date provisions of SFAS 158 at January 1, 2008 decreased retained earnings by \$66,000, net of tax. There was no effect on the results of operations.

Defined Benefit Pension Plans

The Company sponsors defined benefit pension plans that cover certain U.S., Canadian, German, and United Kingdom employees and which provide benefits of stated amounts for each year of service of the employee.

The Company uses a December 31 measurement date for the U.S., Canadian, German and U.K. plans. The following tables provide information regarding the Company's defined benefit pension plans summarized by U.S. and international components.

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Obligations and Funded Status

<i>In thousands</i>	U.S.		International	
	2008	2007	2008	2007
Change in projected benefit obligation				
Obligation at beginning of year	\$ (45,555)	\$ (48,406)	\$ (142,188)	\$ (129,494)
Service cost	(278)	(320)	(3,299)	(3,638)
Interest cost	(2,763)	(2,710)	(7,438)	(6,992)
Employee contributions	—	—	(609)	(643)
Plan curtailments	—	—	(2,473)	(1,118)
Special termination benefits	—	—	—	(79)
Benefits paid	3,763	4,069	11,085	6,380
Expenses paid	—	—	713	351
Premiums paid	—	—	243	190
Acquisitions	(1,100)	—	—	—
Adjustments due to the adoption of FAS 158 measurement date provisions	—	—	(559)	—
Actuarial (loss) gain	(475)	1,812	16,655	6,498
Effect of currency rate changes	—	—	27,687	(13,643)
Obligation at end of year	<u>\$ (46,408)</u>	<u>\$ (45,555)</u>	<u>\$ (100,183)</u>	<u>\$ (142,188)</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 43,444	\$ 39,188	\$ 126,276	\$ 105,784
Actual return on plan assets	(9,213)	2,425	(21,435)	5,821
Employer contributions	1,000	5,900	9,649	8,842
Employee contributions	—	—	609	643
Benefits paid	(3,763)	(4,069)	(11,085)	(6,380)
Expenses paid	—	—	(713)	(351)
Premiums paid	—	—	(243)	(190)
Acquisitions	696	—	—	—
Effect of currency rate changes	—	—	(24,102)	12,107
Fair value of plan assets at end of year	<u>\$ 32,164</u>	<u>\$ 43,444</u>	<u>\$ 78,843</u>	<u>\$ 126,276</u>
Funded status				
Fair value of plan assets	\$ 32,164	\$ 43,444	\$ 78,843	\$ 126,276
Benefit obligations	(46,408)	(45,555)	(100,183)	(142,188)
Post-measurement date contributions and distributions	—	—	—	179
Funded Status	<u>\$ (14,244)</u>	<u>\$ (2,111)</u>	<u>\$ (21,340)</u>	<u>\$ (15,733)</u>
Amounts recognized in the statement of financial position consist of:				
Noncurrent assets	\$ —	\$ —	\$ 2,405	\$ 2,240
Current liabilities	—	—	(314)	(333)
Noncurrent liabilities	(14,244)	(2,111)	(23,431)	(17,640)
Net amount recognized	<u>\$ (14,244)</u>	<u>\$ (2,111)</u>	<u>\$ (21,340)</u>	<u>\$ (15,733)</u>
Amounts recognized in accumulated other comprehensive income (loss) consist of:				
Initial net obligation	\$ —	\$ —	\$ (1,731)	\$ (2,662)
Prior service costs	(317)	(376)	(1,511)	(2,673)
Net actuarial loss	(30,925)	(19,141)	(23,932)	(19,333)
Net amount recognized	<u>\$ (31,242)</u>	<u>\$ (19,517)</u>	<u>\$ (27,174)</u>	<u>\$ (24,668)</u>

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The aggregate accumulated benefit obligation for the U.S. pension plans was \$45.9 million and \$45.1 million as of December 31, 2008 and 2007, respectively. The aggregate accumulated benefit obligation for the international pension plans was \$90.9 million and \$129.4 million as of December 31, 2008 and 2007, respectively.

<i>In thousands</i>	U.S.		International	
	2008	2007	2008	2007
Information for pension plans with accumulated benefit obligations in excess of plan assets:				
Projected benefit obligation	\$ (46,408)	\$ (45,555)	\$ (82,306)	\$ (11,257)
Accumulated benefit obligation	(45,899)	(45,091)	(74,764)	(9,998)
Fair value of plan assets	32,164	43,444	58,606	—
Information for pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	\$ (46,408)	\$ (45,555)	\$ (88,740)	\$ (90,783)
Fair value of plan assets	32,164	43,444	64,995	72,631

Components of Net Periodic Benefit Costs

<i>In thousands</i>	U.S.			International		
	2008	2007	2006	2008	2007	2006
Service cost	\$ 278	\$ 320	\$ 354	\$ 3,299	\$ 3,638	\$ 3,658
Interest cost	2,763	2,710	2,675	7,438	6,992	5,645
Expected return on plan assets	(3,325)	(3,237)	(2,912)	(8,344)	(7,685)	(5,889)
Amortization of initial net obligation	—	—	—	250	268	247
Amortization of prior service cost	59	59	59	351	463	640
Amortization of net loss	1,229	1,507	1,575	868	892	1,209
Curtailement loss recognized	—	—	—	2,869	2,546	1,368
Settlement loss recognized	—	—	—	1,943	306	71
Special termination benefit recognized	—	—	—	—	79	—
Net periodic benefit cost	<u>\$ 1,004</u>	<u>\$ 1,359</u>	<u>\$ 1,751</u>	<u>\$ 8,674</u>	<u>\$ 7,499</u>	<u>\$ 6,949</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income during 2008 are as follows:

<i>In thousands</i>	U.S.	International
Net loss arising during the year	\$ (13,013)	\$ (13,718)
Effect of exchange rates	—	7,359
Amortization, settlement, or curtailment recognition of net transition obligation	—	250
Amortization or curtailment recognition of prior service cost	59	792
Amortization or settlement recognition of net loss	1,229	2,811
Total recognized in other comprehensive (loss) income	<u>\$ (11,725)</u>	<u>\$ (2,506)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (12,729)</u>	<u>\$ (11,180)</u>

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The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

	U.S.			International		
	2008	2007	2006	2008	2007	2006
Discount rate	6.25%	6.35%	5.80%	6.69%	5.61%	5.14%
Expected return on plan assets	8.00%	8.00%	8.00%	7.15%	6.70%	6.50%
Rate of compensation increase	3.00%	3.00%	3.00%	3.47%	3.83%	3.62%

The discount rate is based on settling the pension obligation with high grade, high yield corporate bonds, and the rate of compensation increase is based on actual experience. The expected return on plan assets is based on historical performance as well as expected future rates of return on plan assets considering the current investment portfolio mix and the long-term investment strategy.

As of December 31, 2008 the following table represents the amounts included in other comprehensive loss that are expected to be recognized as components of periodic benefit costs in 2009.

<i>In thousands</i>	U.S.	International
Net transition obligation	\$ —	\$ 197
Prior service cost	59	267
Net loss	1,505	1,509
	<u>\$ 1,564</u>	<u>\$ 1,973</u>

Pension Plan Assets

The composition of all plan assets consists primarily of equities, corporate bonds, governmental notes and temporary investments. This Plan's target and actual asset allocations at the respective measurement dates for 2008 and 2007 by asset category are as follows:

	U.S.			International		
	Target	2008	2007	Target	2008	2007
Equity securities	60%	58%	59%	52% - 74%	56%	58%
Debt securities	40%	39%	40%	27% - 42%	41%	40%
Other, including cash equivalents	0%	3%	1%	0% - 7%	3%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Investment policies are determined by the respective Plan's Pension Committee and set forth in its Investment Policy. Pursuant to the Investment Policy for the U.S., the investment strategy is to use passive index funds managed by the Bank of New York. The Company is evaluating allocation policies for its international plans. Rebalancing of the asset allocation occurs on a quarterly basis.

Cash Flows

The Company's funding methods are based on governmental requirements and differ from those methods used to recognize pension expense, which is primarily based on the projected unit credit method applied in the accompanying financial statements. The Company does not expect to contribute to the U.S. plans and expects to contribute \$9.1 million to the international plans during 2009.

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Benefit payments expected to be paid to plan participants are as follows:

<u>In thousands</u>	<u>U.S.</u>	<u>International</u>
Year ended December 31,		
2009	\$ 3,694	\$ 6,863
2010	3,699	7,082
2011	3,660	7,256
2012	3,785	5,106
2013	3,761	5,221
2014 through 2018	18,462	29,660

Post Retirement Benefit Plans

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for a portion of North American employees.

The Company uses a December 31 measurement date for all post retirement plans. The following tables provide information regarding the Company's post retirement benefit plans summarized by U.S. and international components.

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Obligations and Funded Status

<i>In thousands</i>	U.S.		International	
	2008	2007	2008	2007
Change in projected benefit obligation				
Obligation at beginning of year	\$ (32,472)	\$ (37,872)	\$ (3,940)	\$ (6,800)
Service cost	(242)	(228)	(50)	(124)
Interest cost	(2,005)	(2,048)	(203)	(271)
Plan amendments	—	—	—	3,058
Plan curtailments	—	—	41	568
Special termination benefits	—	—	(31)	—
Benefits paid	1,774	1,966	194	208
Acquisitions	—	—	—	377
Actuarial gain (loss)	1,717	5,710	499	(48)
Effect of currency rate changes	—	—	700	(908)
Obligation at end of year	<u>\$ (31,228)</u>	<u>\$ (32,472)</u>	<u>\$ (2,790)</u>	<u>\$ (3,940)</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$ —	\$ —	\$ —	\$ —
Employer contributions	1,774	1,966	194	208
Benefits paid	(1,774)	(1,966)	(194)	(208)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status				
Fair value of plan assets	\$ —	\$ —	\$ —	\$ —
Benefit obligations	(31,228)	(32,472)	(2,790)	(3,940)
Funded status	<u>\$ (31,228)</u>	<u>\$ (32,472)</u>	<u>\$ (2,790)</u>	<u>\$ (3,940)</u>
<i>In thousands</i>	U.S.		International	
	2008	2007	2008	2007
Amounts recognized in the statement of financial position consist of:				
Current liabilities	\$ (2,142)	\$ (2,389)	\$ (206)	\$ (235)
Noncurrent liabilities	(29,086)	(30,083)	(2,584)	(3,705)
Net amount recognized	<u>\$ (31,228)</u>	<u>\$ (32,472)</u>	<u>\$ (2,790)</u>	<u>\$ (3,940)</u>
Amounts recognized in accumulated other comprehensive income (loss) consist of:				
Initial net obligation	\$ —	\$ —	\$ (14)	\$ (47)
Prior service credit	18,194	20,614	926	2,715
Net actuarial loss (gain)	(27,531)	(30,905)	334	(91)
Net amount recognized	<u>\$ (9,337)</u>	<u>\$ (10,291)</u>	<u>\$ 1,246</u>	<u>\$ 2,577</u>

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Components of Net Periodic Benefit Cost

<i>In thousands</i>	U.S.			International		
	2008	2007	2006	2008	2007	2006
Service cost	\$ 242	\$ 228	\$ 434	\$ 50	\$ 124	\$ 256
Interest cost	2,005	2,048	2,247	203	271	377
Amortization of initial net obligation	—	—	—	27	52	284
Amortization of prior service credit	(2,420)	(2,420)	(2,397)	(336)	(217)	—
Amortization of net loss (gain)	1,657	1,771	2,185	(9)	(6)	24
Curtailement loss (gain) recognized	—	—	—	(1,167)	(513)	826
Special termination benefit recognized	—	—	—	31	—	—
Net periodic benefit cost	<u>\$ 1,484</u>	<u>\$ 1,627</u>	<u>\$ 2,469</u>	<u>\$(1,201)</u>	<u>\$(289)</u>	<u>\$ 1,767</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income during 2008 are as follows:

<i>In thousands</i>	U.S.	International
Net gain arising during the year	\$ 1,717	\$ 499
Effect of exchange rates	—	(368)
Amortization, settlement, or curtailment recognition of net transition obligation	—	27
Amortization or curtailment recognition of prior service cost	(2,420)	(1,480)
Amortization or settlement recognition of net loss (gain)	1,657	(9)
Total recognized in other comprehensive income (loss)	<u>\$ 954</u>	<u>\$ (1,331)</u>
Total recognized in net periodic benefit cost and other comprehensive loss	<u>\$ (530)</u>	<u>\$ (130)</u>

The weighted average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also the net periodic benefit cost for the following year. The discount rate is based on settling the pension obligation with high grade, high yield corporate bonds.

	U.S.			International		
	2008	2007	2006	2008	2007	2006
Discount rate	6.25%	6.35%	5.80%	7.50%	5.50%	5.25%

As of December 31, 2008 the following table represents the amounts included in other comprehensive loss that are expected to be recognized as components of periodic benefit costs in 2009.

<i>In thousands</i>	U.S.	International
Net transition obligation	\$ —	\$ 14
Prior service credit	(2,420)	(189)
Net loss	1,536	(57)
	<u>\$ (884)</u>	<u>\$ (232)</u>

The assumed health care cost trend rate for the U.S. plans grades from an initial rate of 8.0% to an ultimate rate of 4.5% by 2027 and for international plans from 9.5% to 4.5% by 2028. A 1% increase in the assumed health care cost trend rate will increase the service and interest cost components of the expense recognized for the U.S. and international postretirement plans by approximately \$306,000 and \$22,000, respectively, for 2009, and increase the service and interest cost components of the accumulated postretirement benefit obligation by approximately \$4.0 million and \$255,000, respectively. A 1% decrease in the assumed health care cost trend rate

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will decrease the service and interest cost components of the expense recognized for the U.S. and international postretirement plans by approximately \$250,000 and \$25,000, respectively, for 2009, and decrease the accumulated postretirement benefit obligation by approximately \$3.3 million and \$223,000, respectively.

Cash Flows

Benefit payments expected to be paid to plan participants are as follows:

<i>In thousands</i>	U.S.	International
Year ended December 31,		
2009	\$ 2,142	\$ 206
2010	2,060	218
2011	2,028	227
2012	1,898	229
2013	1,899	233
2014 through 2018	10,408	1,366

Defined Contribution Plans

The Company also participates in certain defined contribution plans and multiemployer pension plans. Costs recognized under these plans are summarized as follows:

<i>In thousands</i>	For the year ended		
	December 31,		
	2008	2007	2006
Multi-employer pension and health & welfare plans	\$ 1,356	\$ 1,290	\$ 1,219
401(k) savings and other defined contribution plans	8,315	7,742	6,531
Total	<u>\$ 9,671</u>	<u>\$ 9,032</u>	<u>\$ 7,750</u>

The 401(k) savings plan is a participant directed defined contribution plan that holds shares of the Company's stock as one of the investment options. At December 31, 2008 and 2007, the plan held on behalf of its participants about 484,000 shares with a market value of \$19.2 million, and 509,000 shares with a market value of \$17.5 million, respectively.

Additionally, the Company has stock option based benefit and other plans further described in Note 13.

11. INCOME TAXES

The Company is responsible for filing consolidated U.S., foreign and combined, unitary or separate state income tax returns. The Company is responsible for paying the taxes relating to such returns, including any subsequent adjustments resulting from the redetermination of such tax liabilities by the applicable taxing authorities. The components of the income from continuing operations before provision for income taxes for the Company's domestic and foreign operations for the years ended December 31 are provided below:

<i>In thousands</i>	For the year ended		
	December 31,		
	2008	2007	2006
Domestic	\$ 145,791	\$ 133,428	\$ 98,675
Foreign	58,509	39,026	27,882
Income from continuing operations	<u>\$ 204,300</u>	<u>\$ 172,454</u>	<u>\$ 126,557</u>

No provision has been made for U.S., state, or additional foreign taxes related to undistributed earnings of \$89.9 million of foreign subsidiaries which have been or are intended to be permanently re-invested.

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The consolidated provision for income taxes included in the Statement of Income consisted of the following:

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	2006
Current taxes			
Federal	\$44,651	\$46,144	\$25,787
State	5,505	5,265	1,951
Foreign	18,719	14,067	8,386
	<u>\$68,875</u>	<u>\$65,476</u>	<u>\$36,124</u>
Deferred taxes			
Federal	6,309	1,222	8,201
State	1,371	957	(2,651)
Foreign	(2,810)	(4,457)	(1,425)
	<u>4,870</u>	<u>(2,278)</u>	<u>4,125</u>
Total provision	<u>\$73,745</u>	<u>\$63,198</u>	<u>\$40,249</u>

The consolidated income tax provision is included in the Statement of Income as follows:

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	2006
Continuing operations	\$ 73,746	\$ 63,067	\$ 40,063
Income (loss) from discontinued operations	(1)	131	186
Total provision	<u>\$ 73,745</u>	<u>\$ 63,198</u>	<u>\$ 40,249</u>

A reconciliation of the United States federal statutory income tax rate to the effective income tax rate on continuing operations for the years ended December 31 is provided below:

<i>In thousands</i>	For the year ended December 31,		
	2008	2007	2006
U. S. federal statutory rate	35.0%	35.0%	35.0%
State taxes	2.5	2.6	2.1
Adjustment to prior year matters	—	0.6	(0.9)
Tax reserves	0.5	1.7	—
Change in valuation allowance	—	(1.8)	(4.2)
Deferred rate/balance adjustment	—	0.5	1.2
Foreign	(1.0)	(0.8)	(1.1)
Research and development credit	(1.0)	(2.0)	(0.5)
Other, net	0.1	0.8	0.1
Effective rate	<u>36.1%</u>	<u>36.6%</u>	<u>31.7%</u>

The effective income tax rate for 2008 includes a net tax benefit of approximately \$1.0 million which is due primarily to the expiration of statutory review periods and current examinations in various tax jurisdictions.

Deferred income taxes result from temporary differences in the recognition of income and expense for financial and income tax reporting purposes. These deferred income taxes will be recognized as future tax benefits or costs when the temporary differences reverse.

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Components of deferred tax assets and liabilities were as follows:

<i>In thousands</i>	December 31,	
	2008	2007
Deferred income tax assets:		
Accrued expenses and reserves	\$ 9,110	\$ 7,057
Warranty reserve	9,077	5,940
Deferred comp/employee benefits	5,812	6,748
Pension and postretirement obligations	22,978	17,950
Inventory	5,558	4,228
State net operating loss	3,555	4,654
Foreign net operating loss	1,638	1,629
Tax credit carry forwards	1,706	1,118
Other	2,582	276
Gross deferred income tax assets	62,016	49,600
Valuation allowance	(138)	(475)
Total deferred income tax assets	61,878	49,125
Deferred income tax liabilities:		
Property, plant & equipment	18,114	18,158
Intangibles	24,449	11,719
Total deferred income tax liabilities	42,563	29,877
Net deferred income tax asset	\$19,315	\$19,248

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. State and foreign net operating loss carryforwards exist in the amount of \$88.7 million and \$6.0 million, respectively, and are set to expire in various periods from 2010 to 2029.

Federal tax credits of approximately \$1.9 million related to Research and Experimentation credits and Foreign tax credits have been fully utilized in 2008. State tax credits of approximately \$798,000 are available and consist of various Machinery & Equipment, Research and Experimentation, and Jobs related credits.

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48")—an interpretation of FASB Statement No. 109 on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes.

As of January 1, 2008, the liability for income taxes associated with uncertain tax positions was \$17.2 million, of which \$10.6 million, if recognized, would favorably affect the Company's effective tax rate. As of December 31, 2008, the liability for income taxes associated with uncertain tax positions was \$17.1 million, of which \$10.1 million, if recognized, would favorably affect the Company's effective income tax rate. A reconciliation of the beginning and ending amount of the liability for income taxes associated with uncertain tax positions follows:

<i>In thousands</i>	2008	2007
Gross liability for uncertain tax positions at beginning of year	\$17,203	\$13,530
Gross increases—uncertain tax positions in prior periods	—	3,416
Gross decreases—uncertain tax positions in prior periods	—	(360)
Gross increases—current period uncertain tax positions	2,614	1,320
Gross decreases—audit settlements paid during year	(597)	(301)
Gross decreases—expiration of audit statute of limitations	(2,118)	(402)
Gross liability for uncertain tax positions at end of year	\$17,102	\$17,203

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The Company includes interest and penalties related to uncertain tax positions in income tax expense. As of January 1, 2008, the Company accrued interest and penalties of approximately \$3.3 million and \$1.8 million, respectively, related to uncertain tax positions. The total interest and penalties accrued as of December 31, 2008 are approximately \$4.4 million and \$2.4 million, respectively.

The Internal Revenue Service is currently auditing the 2005 and 2006 tax years. With limited exception, the Company is no longer subject to examination by various U.S. and foreign taxing authorities for years before 2004.

At this time, the Company believes that it is reasonably possible that unrecognized tax benefits of approximately \$3.1 million may change within the next twelve months due to the expiration of statutory review periods and current examinations.

12. EARNINGS PER SHARE

The computation of earnings per share from continuing operations is as follows:

<i>In thousands, except per share</i>	For the year ended		
	2008	2007	2006
Basic			
Income from continuing operations applicable to common shareholders	\$ 130,554	\$ 109,387	\$ 86,494
Divided by:			
Weighted average shares outstanding	48,232	48,530	48,322
Basic earnings from continuing operations per share	\$ 2.71	\$ 2.25	\$ 1.79
Diluted			
Income from continuing operations applicable to common shareholders	\$ 130,554	\$ 109,387	\$ 86,494
Divided by the sum of:			
Weighted average shares outstanding	48,232	48,530	48,322
Assumed conversion of dilutive stock-based compensation plans	615	611	786
Diluted shares outstanding	48,847	49,141	49,108
Diluted earnings from continuing operations per share	\$ 2.67	\$ 2.23	\$ 1.76

Options to purchase approximately 12,200, 4,400, and 4,400 shares of Common Stock were outstanding in 2008, 2007 and 2006, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price exceeded the average market price of the common shares.

13. STOCK-BASED COMPENSATION PLANS

As of December 31, 2008, the Company maintains employee stock-based compensation plans for stock options, non-vested restricted stock, and incentive stock awards as governed by the 2000 Stock Incentive Plan, as amended (the 2000 Plan). The 2000 Plan was amended effective February 16, 2006 to increase the maximum shares then available for future grants under the existing plan of 719,512 by 2,000,000 shares. As of December 31, 2008, shares available for future grants under the 2000 Plan is 1,572,469 shares. No awards may be made under the 2000 Plan subsequent to January 31, 2016. The Company also maintains a Non-Employee Directors' Fee and Stock Option Plan (Directors Plan).

Stock-based compensation expense was \$10.5 million, \$11.2 million and \$9.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. The Company recognized associated tax benefits related to the stock-based compensation plans of \$3.3 million, \$3.6 million and \$3.4 million for the respective periods. Included in the stock-based compensation expense for 2008 above is \$1.0 million of expense related to stock

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options, \$3.2 million related to non-vested restricted stock, \$5.7 million related to incentive stock awards, and \$603,000 million related to awards issued for directors' fees. At December 31, 2008, unamortized compensation expense related to those stock options, non-vested restricted shares and incentive stock awards expected to vest totaled \$11.4 million and will be recognized over a weighted average period of 1.5 years.

Stock Options Under the 2000 Plan, stock options are granted to eligible employees at the fair market value, which is the average of the high and low Wabtec stock price on the date of grant. Generally, the options become exercisable over a three or four year vesting period and expire ten years from the date of grant.

The Directors Plan, as amended, authorizes a total of 500,000 shares of Common Stock to be issued. Generally, options issued under the plan become exercisable over a three-year vesting period and expire ten years from the date of grant. In addition, as compensation for directors' fees, a total of 13,500 shares have been awarded to non-employee directors for the year ended December 31, 2008, 12,000 shares for the year ended December 31, 2007, and 10,500 shares for the year ended December 31, 2006. No awards may be made under the plan subsequent to October 31, 2016. The total number of shares issued under the plan as of December 31, 2008 was 312,500 shares.

The following table summarizes the Company's stock option activity and related information for both the 2000 Plan and Directors Plan for the years ended December 31:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2005	2,204,065	\$ 13.98	5.9	\$ 28,322
Granted	39,500	27.38		117
Exercised	(846,074)	15.29		(12,729)
Canceled	(21,837)	16.48		(303)
Outstanding at December 31, 2006	1,375,654	\$ 13.52	5.8	\$ 23,198
Granted	38,000	32.01		92
Exercised	(386,658)	12.11		(8,636)
Canceled	(17,502)	21.98		(218)
Outstanding at December 31, 2007	1,009,494	\$ 14.61	5.2	\$ 20,022
Granted	269,500	35.93		1,029
Exercised	(207,000)	13.48		(5,437)
Canceled	(17,750)	20.37		(344)
Outstanding at December 31, 2008	1,054,244	\$ 20.16	5.5	\$ 20,655
Exercisable at December 31, 2008	753,069	\$ 14.10	4.2	\$ 19,317

Options outstanding at December 31, 2008 were as follows:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Exercise Price of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
Under \$13.00	436,297	\$ 11.22	3.3	436,297	\$ 11.22
13.00 – 20.00	259,324	16.34	5.4	259,324	16.34
20.00 – 25.00	26,449	21.72	4.7	26,449	21.72
25.00 – 30.00	54,174	28.84	7.2	27,667	28.49
Over 30.00	278,000	35.91	9.1	3,332	36.82
	1,054,244	\$ 20.16		753,069	\$ 14.10

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the year ended		
	December 31,		
	2008	2007	2006
Dividend yield	.3%	.3%	.3%
Risk-free interest rate	3.5%	4.7%	4.2%
Stock price volatility	33.9	40.7	43.3
Expected life (years)	5.0	5.0	5.0
Weighted average fair value of options granted during the year	\$12.24	\$11.94	\$11.38

The dividend yield is based on the Company's dividend rate and the current market price of the underlying common stock at the date of grant. Expected life in years is determined from historical stock option exercise data. Expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the U.S. Treasury bond rates for the expected life of the option.

Non-Vested Restricted Stock and Incentive Stock Awards Under the 2000 Plan, eligible employees are granted non-vested restricted stock that generally vest over three or four years from the date of grant. In addition, the Company has issued incentive stock awards to eligible employees that vest upon attainment of certain cumulative three year performance goals. The incentive stock awards included in the table below represent the maximum number of shares that may ultimately vest. As of December 31, 2008, based on the Company's performance, we estimate that the majority of these stock awards will vest and have recorded compensation expense accordingly. If our estimate of the number of these stock awards expected to vest changes in a future accounting period, compensation expense could be reduced and will be recognized over the remaining vesting period.

The following table summarizes the non-vested restricted stock and incentive stock awards activity and related information for the years ended December 31:

	Non-Vested Restricted Stock	Incentive Stock Awards	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2005	—	518,666	\$ 16.33
Granted	200,500	187,000	34.06
Vested	—	—	—
Canceled	(3,000)	(4,000)	23.16
Outstanding at December 31, 2006	197,500	701,666	\$ 23.63
Granted	129,000	244,000	34.08
Vested	(22,500)	(210,843)	17.97
Canceled	(2,500)	(40,774)	21.37
Outstanding at December 31, 2007	301,500	694,049	\$ 29.65
Granted	79,000	301,000	35.50
Vested	(83,708)	(243,913)	20.56
Canceled	(17,000)	(51,470)	27.30
Outstanding at December 31, 2008	279,792	699,666	\$ 35.12

Compensation expense for the non-vested restricted stock and incentive stock awards is based on the closing price of the Company's common stock on the date of grant and recognized over the applicable vesting period.

Employee Stock Purchase Plan In 1998, the Company had adopted an employee discounted stock purchase plan (DSPP). The DSPP had 500,000 shares available for issuance. Participants could purchase the Company's common stock at 85% of the lesser of fair market value on the first or last day of each offering period. The plan was terminated effective January 1, 2007.

14. OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive income (loss) were:

<i>In thousands</i>	December 31,	
	2008	2007
Foreign currency translation (loss) gain	\$(19,140)	\$ 40,582
Unrealized gain on foreign exchange contracts, net of tax of \$14 and \$(—)	26	—
Pension benefit plans and post retirement benefit plans, net of tax of \$(25,081) and \$(20,588)	(41,426)	(31,311)
Total accumulated other comprehensive (loss) income	\$(60,540)	\$ 9,271

15. OPERATING LEASES

The Company leases office and manufacturing facilities under operating leases with terms ranging from one to 15 years, excluding renewal options.

The Company has sold remanufactured locomotives to various financial institutions and leased them back under operating leases with terms from five to 20 years.

Total net rental expense charged to operations in 2008, 2007, and 2006 was \$8.1 million, \$7.5 million and \$6.8 million respectively. Certain of the Company's equipment rental obligations under operating leases pertain to locomotives, which are subleased to customers under both short-term and long-term agreements. The amounts above are shown net of sublease rentals of \$1.6 million, \$1.5 million and \$1.9 million for the years 2008, 2007 and 2006, respectively.

Future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year are as follows:

<i>In thousands</i>	Real Estate	Equipment	Sublease Rentals	Total
2009	\$7,654	\$ 1,408	\$ 1,426	\$7,636
2010	6,841	721	—	7,562
2011	5,974	479	—	6,543
2012	4,695	287	—	4,982
2013	4,209	174	—	4,383
2014 and after	5,648	23	—	5,671

16. WARRANTIES

The following table reconciles the changes in the Company's product warranty reserve as follows:

<i>In thousands</i>	For the year ended December 31,	
	2008	2007
Balance at beginning of period	\$ 22,314	\$ 17,399
Warranty expense	17,085	10,441
Acquisitions	3,896	5,293
Warranty payments	(12,619)	(10,819)
Balance at end of period	\$ 30,676	\$ 22,314

17. PREFERRED STOCK

The Company's authorized capital stock includes 1,000,000 shares of preferred stock. The Board of Directors has the authority to issue the preferred stock and to fix the designations, powers, preferences and rights of the shares of each such class or series, including dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences, without any further vote or action by the Company's shareholders. The rights and preferences of the preferred stock would be superior to those of the common stock. At December 31, 2008 and 2007 there was no preferred stock issued or outstanding.

18. FAIR VALUE MEASUREMENT

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement is also applicable under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model.

Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) 157-1, 157-2 and 157-3. FSP 157-1 amends SFAS 157 to exclude SFAS No. 13, "Accounting for Leases," (SFAS 13) and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP 157-3 clarifies the application of SFAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. The Company currently does not have any financial assets that are valued using inactive markets, and as such is not impacted by the issuance of this FSP.

The Company adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Non-recurring nonfinancial assets and nonfinancial liabilities for which the Company has not applied the provisions of SFAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination. The implementation of SFAS 157 for financial assets and financial liabilities did not have a material impact on the Company's consolidated financial position and results of operations. The Company is currently evaluating the impact of adopting SFAS 157 for nonfinancial assets and nonfinancial liabilities.

Valuation Hierarchy. SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2008:

<i>In thousands</i>	Total Carrying Value at December 31, 2008	Fair Value Measurements at December 31, 2008 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forward contracts	\$ 41	\$ —	\$ 41	\$ —
Total	\$ 41	\$ —	\$ 41	\$ —

As a result of our global operating activities, the Company is exposed to market risks from changes in foreign currency exchange rates, which may adversely affect our operating results and financial position. When deemed appropriate, the Company minimizes these risks through entering into foreign currency forward contracts. The foreign currency forward contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2.

19. COMMITMENTS AND CONTINGENCIES

The Company is subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. The Company believes its operations currently comply in all material respects with all of the various environmental laws and regulations applicable to our business; however, there can be no assurance that environmental requirements will not change in the future or that we will not incur significant costs to comply with such requirements.

Under terms of the purchase agreement and related documents for the 1990 Acquisition, American Standard, Inc., now known as Trane ("Trane"), has indemnified the Company for certain items including, among other things, certain environmental claims the Company asserted prior to 2000. If Trane was unable to honor or meet these indemnifications, the Company would be responsible for such items. In the opinion of Management, Trane currently has the ability to meet its indemnification obligations.

Claims have been filed against the Company and certain of its affiliates in various jurisdictions across the United States by persons alleging bodily injury as a result of exposure to asbestos-containing products. Over the last four years, the overall number of new claims filed has significantly decreased as compared to the previous four year period; however, the resolution of these new claims, and all previously filed claims, may take a significant period of time. Most of these claims have been made against our wholly owned subsidiary, Railroad Friction Products Corporation (RFPC), and are based on a product sold by RFPC prior to the time that the Company acquired any interest in RFPC.

Most of these claims, including all of the RFPC claims, are submitted to insurance carriers for defense and indemnity or to non-affiliated companies that retain the liabilities for the asbestos-containing products at issue. We cannot, however, assure that all these claims will be fully covered by insurance or that the indemnitors will remain financially viable. Our ultimate legal and financial liability with respect to these claims, as is the case with other pending litigation, cannot be estimated.

It is Management's belief that the potential range of loss for asbestos-related bodily injury cases is not reasonably determinable at present due to a variety of factors, including: (1) the limited asbestos case settlement history of the Company's wholly owned subsidiary, RFPC; (2) the unpredictable nature of personal injury litigation in general; and (3) the uncertainty of asbestos litigation in particular. Despite this uncertainty, and although the results of the Company's operations and cash flows for any given period could be adversely affected by asbestos-related lawsuits, Management believes that the final resolution of the Company's asbestos-related cases will not be material to the Company's overall financial position, results of operations and cash flows. In general, this belief is based upon: (1) Wabtec's and RFPC's limited history of settlements and dismissals of

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asbestos-related cases to date; (2) the inability of many plaintiffs to establish any exposure or causal relationship to RFPC's product; and (3) the inability of many plaintiffs to demonstrate any identifiable injury or compensable loss.

More specifically, as to RFPC, Management's belief that any losses due to asbestos-related cases would not be material is also based on the fact that RFPC owns insurance which provides coverage for asbestos-related bodily injury claims. To date, RFPC's insurers have provided RFPC with defense and indemnity in these actions. As to Wabtec and its divisions, Management's belief that asbestos-related cases will not have a material impact is also based on its position that it has no legal liability for asbestos-related bodily injury claims, and that the former owners of Wabtec's assets retained asbestos liabilities for the products at issue. To date, Wabtec has been able to successfully defend itself on this basis, including two arbitration decisions and a judicial opinion, all of which confirmed Wabtec's position that it did not assume any asbestos liabilities from the former owners of certain Wabtec assets. Although Wabtec has incurred defense and administrative costs in connection with asbestos bodily injury actions, these costs have not been material, and the Company has no information that would suggest these costs would become material in the foreseeable future.

The Company is subject to a RCRA Part B Closure Permit ("the Permit") issued by the Environmental Protection Agency (EPA) and the Idaho Department of Health and Welfare, Division of Environmental Quality relating to the monitoring and treatment of groundwater contamination on, and adjacent to, the MotivePower Inc. (Boise, Idaho) facility. In compliance with the Permit, the Company has completed an accelerated plan for the treatment of contaminated groundwater, and continues onsite and offsite monitoring for hazardous constituents. An additional \$970,000 was accrued in 2004 based on our refined estimates of ongoing monitoring costs. The Company reevaluated the reserve and reversed \$280,000 to earnings in 2005. In total, the Company has accrued approximately \$755,000 at December 31, 2008, the estimated remaining costs for remediation and monitoring. The Company was in compliance with the Permit at December 31, 2008.

Foster Wheeler Energy Corporation (FWEC), the seller of the Mountaintop, Pennsylvania property to the predecessor of one of the Company's subsidiaries in 1989, agreed to indemnify the Company's predecessor and its successors and assigns against certain identified environmental liabilities for which FWEC executed a Consent Order Agreement with the Pennsylvania Department of Environmental Protection (PADEP) and EPA. Management believes that this indemnification arrangement is enforceable for the benefit of the Company and that FWEC has the financial resources to honor its obligations under this indemnification arrangement.

Prior to the Company's acquisition of Young Radiator, Young agreed to clean up alleged contamination on a prior production site in Mattoon, Illinois. The Company has completed the remediation of the site under the state's voluntary cleanup program and has obtained closure certification for the site from the State of Illinois.

Young ceased manufacturing operations at its Racine, Wisconsin facility in the early 1990s. Investigations prior to the acquisition of Young revealed some levels of contamination on the Racine property. The Company has completed a comprehensive site evaluation and implemented a groundwater remediation program under Wisconsin's voluntary remediation program. Site monitoring is being conducted to demonstrate attainment of Wisconsin's cleanup requirements. The Company believes the regulating authority is generally in agreement with the selected remediation approach and findings presented to-date.

The Company has other contingent obligations relating to certain sales leaseback transactions, for locomotives that were assumed in connection with the MotivePower merger in 1999, for which reserves of \$677,000 remain as of December 31, 2008.

On October 18, 2007, Faiveley Transport Malmo AB filed a request for arbitration with the International Chamber of Commerce alleging breach of contract and trade secret violations relating to the Company's manufacture and sale of certain components. The components at issue are limited in number and primarily used in the transit industry. On that same day, Faiveley also filed a related proceeding against the Company in the United States District Court for the Southern District of New York ("Federal Court"), requesting a preliminary injunction in aid of the arbitration. In both forums, Faiveley seeks to prevent the Company from manufacturing

and selling the subject components until the arbitration panel decides Faiveley's claim. In the arbitration, Faiveley also seeks monetary damages. The Company's motion and subsequent appeal to initially dismiss the Federal Court action on jurisdictional grounds was denied on May 2, 2008. During the week of July 28, 2008, the Federal Court conducted a hearing on Faiveley's injunction request. On August 22, 2008 the Federal Court issued an order denying in part and granting in part Faiveley's injunction request. Under the order, Wabtec is permitted to perform under all contracts entered into prior to August 22, 2008, including a New York City Transit contract that was the parties main focus during the hearing. However, Wabtec is not permitted to enter into any future contracts for the supply of one of the products at issue, or its components, until the international arbitrators decide the merits of the dispute. Wabtec requested, and was granted, an expedited appeal on the merits of the Federal Court action; that appeal was argued on February 9, 2009. On October 1, 2008 in a filing before the international arbitration panel, Faiveley alleged \$128 million in damages. The Company believes that this claim is grossly overstated, is not supported by the facts or circumstances surrounding the case, and is frivolous in most respects. On February 11, 2009, the international arbitration panel completed the first part of a hearing on the underlying breach of contract and trade secret issues. The panel will conduct the second part of the hearing in April, 2009. The Company denies Faiveley's allegations and does not believe that it has any material legal liability in this matter; it will vigorously contest both proceedings.

From time to time the Company is involved in litigation relating to claims arising out of its operations in the ordinary course of business. As of the date hereof, the Company is involved in no litigation that the Company believes will have a material adverse effect on its financial condition, results of operations or liquidity.

20. SEGMENT INFORMATION

Wabtec has two reportable segments—the Freight Group and the Transit Group. The key factors used to identify these reportable segments are the organization and alignment of the Company's internal operations, the nature of the products and services, and customer type. The business segments are:

Freight Group manufactures products and provides services geared primarily to the production and operation of freight cars and locomotives, including braking control equipment, on-board electronic components and train coupler equipment.

Transit Group consists of products for passenger transit vehicles and locomotives (typically subways, commuter rail and buses) that include braking, coupling, monitoring systems, climate control and door equipment engineered to meet individual customer specifications, as well as commuter rail locomotives.

The Company evaluates its business segments' operating results based on income from operations. Corporate activities include general corporate expenses, elimination of intersegment transactions, interest income and expense and other unallocated charges. Since certain administrative and other operating expenses and other items have not been allocated to business segments, the results in the following tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

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Segment financial information for 2008 is as follows:

<i>In thousands</i>	<u>Freight Group</u>	<u>Transit Group</u>	<u>Corporate Activities and Elimination</u>	<u>Total</u>
Sales to external customers	\$ 773,523	\$ 801,226	—	\$ 1,574,749
Intersegment sales/(elimination)	22,558	2,615	(25,173)	—
Total sales	<u>\$ 796,081</u>	<u>\$ 803,841</u>	<u>\$ (25,173)</u>	<u>\$ 1,574,749</u>
Income (loss) from operations	\$ 133,463	\$ 98,792	\$ (19,739)	\$ 212,516
Interest expense and other	—	—	(8,216)	(8,216)
Income (loss) from continuing operations before income taxes	<u>\$ 133,463</u>	<u>\$ 98,792</u>	<u>\$ (27,955)</u>	<u>\$ 204,300</u>
Depreciation and amortization	16,206	12,916	704	29,826
Capital expenditures	12,178	7,164	373	19,715
Segment assets	1,055,621	883,440	(431,541)	1,507,520

Segment financial information for 2007 is as follows:

<i>In thousands</i>	<u>Freight Group</u>	<u>Transit Group</u>	<u>Corporate Activities and Elimination</u>	<u>Total</u>
Sales to external customers	\$ 734,173	\$ 625,915	—	\$ 1,360,088
Intersegment sales/(elimination)	17,720	936	(18,656)	—
Total sales	<u>\$ 751,893</u>	<u>\$ 626,851</u>	<u>\$ (18,656)</u>	<u>\$ 1,360,088</u>
Income (loss) from operations	\$ 126,530	\$ 69,004	\$ (15,793)	\$ 179,741
Interest expense and other	—	—	(7,287)	(7,287)
Income (loss) from continuing operations before income taxes	<u>\$ 126,530</u>	<u>\$ 69,004</u>	<u>\$ (23,080)</u>	<u>\$ 172,454</u>
Depreciation and amortization	15,930	12,113	1,097	29,140
Capital expenditures	12,364	7,259	796	20,419
Segment assets	692,714	587,792	(121,804)	1,158,702

Segment financial information for 2006 is as follows:

<i>In thousands</i>	<u>Freight Group</u>	<u>Transit Group</u>	<u>Corporate Activities and Elimination</u>	<u>Total</u>
Sales to external customers	\$ 703,353	\$ 378,267	—	\$ 1,087,620
Intersegment sales/(elimination)	14,451	628	(15,079)	—
Total sales	<u>\$ 723,804</u>	<u>\$ 378,895</u>	<u>\$ (15,079)</u>	<u>\$ 1,087,620</u>
Income (loss) from operations	\$ 109,787	\$ 32,495	\$ (12,722)	\$ 130,151
Interest expense and other	—	—	(3,003)	(3,594)
Income (loss) from continuing operations before income taxes	<u>\$ 109,787</u>	<u>\$ 32,495</u>	<u>\$ (15,725)</u>	<u>\$ 126,557</u>
Depreciation and amortization	16,445	7,562	1,887	25,304
Capital expenditures	15,389	4,779	774	20,942
Segment assets	606,286	352,108	14,448	972,842

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The following geographic area data as of and for the years ended December 31, 2008, 2007 and 2006, respectively, includes net sales based on product shipment destination and long-lived assets, which consist of plant, property and equipment, net of depreciation, resident in their respective countries:

<i>In thousands</i>	Net Sales			Long-Lived Assets		
	2008	2007	2006	2008	2007	2006
United States	\$ 930,160	\$ 822,706	\$ 717,536	\$ 130,890	\$ 104,660	\$ 103,262
Canada	136,282	158,312	114,309	14,694	21,063	24,035
Mexico	55,150	35,455	19,386	6,012	5,229	5,748
United Kingdom	179,861	153,702	98,062	5,935	6,857	6,527
Australia	72,037	43,267	44,329	4,529	6,105	4,512
Germany	32,348	24,474	7,724	15,663	18,329	15,089
Other international	168,911	122,172	86,274	29,825	20,194	19,136
Total	<u>\$ 1,574,749</u>	<u>\$ 1,360,088</u>	<u>\$ 1,087,620</u>	<u>\$ 207,548</u>	<u>\$ 182,437</u>	<u>\$ 178,309</u>

Export sales from the Company's United States operations were \$261.8 million, \$239.7 million and \$134.0 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Sales by product is as follows:

<i>In thousands</i>	2008	2007	2006
Brake Products	\$ 545,528	\$ 466,871	\$ 393,699
Freight Electronics & Specialty Products	393,288	358,140	336,158
Remanufacturing, Overhaul & Build	338,354	328,785	218,969
Other Transit Products	223,419	151,415	106,317
Other	74,160	54,877	32,477
Total Sales	<u>\$ 1,574,749</u>	<u>\$ 1,360,088</u>	<u>\$ 1,087,620</u>

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values and related carrying values of the Company's financial instruments are as follows:

<i>In thousands</i>	2008		2007	
	Carry Value	Fair Value	Carry Value	Fair Value
Foreign exchange contracts	41	41	315	315
6.875% senior notes	150,000	129,000	150,000	147,750

The fair value of the Company's foreign exchange contracts and senior notes were based on dealer quotes and represent the estimated amount the Company would pay to the counterparty to terminate the agreements.

22. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

Effective August 2003, the Company issued \$150 million of Senior Notes due in 2013 ("The Notes"). The obligations under the Notes are fully and unconditionally guaranteed by all U.S. subsidiaries as guarantors. In accordance with positions established by the Securities and Exchange Commission, the following shows separate financial information with respect to the parent, the guarantor subsidiaries and the non-guarantor subsidiaries. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

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Balance Sheet for December 31, 2008:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and cash equivalents	\$ 37,941	\$ 4,272	\$ 99,592	\$ —	\$ 141,805
Accounts receivable	396	180,990	92,174	—	273,560
Inventories	—	186,761	77,397	—	264,158
Other current assets	36,300	4,397	5,129	—	45,826
Total current assets	74,637	376,420	274,292	—	725,349
Property, plant and equipment, net	1,598	129,092	76,858	—	207,548
Goodwill	7,980	219,062	92,407	—	319,449
Investment in Subsidiaries	1,794,010	323,131	290,783	(2,407,924)	—
Other intangibles, net	561	194,841	41,338	—	236,740
Other long term assets	(2,139)	650	19,923	—	18,434
Total assets	<u>\$ 1,876,647</u>	<u>\$ 1,243,196</u>	<u>\$ 795,601</u>	<u>\$ (2,407,924)</u>	<u>\$ 1,507,520</u>
Current liabilities	\$ 36,418	\$ 248,245	\$ 103,388	\$ —	\$ 388,051
Intercompany	776,708	(856,059)	79,351	—	—
Long-term debt	356,000	394	305	—	356,699
Other long term liabilities	62,152	22,590	32,659	—	117,399
Total liabilities	1,231,278	(584,830)	215,703	—	862,149
Stockholders' equity	645,371	1,828,026	579,898	(2,407,924)	645,371
Total Liabilities and Stockholders' Equity	<u>\$ 1,876,647</u>	<u>\$ 1,243,196</u>	<u>\$ 795,601</u>	<u>\$ (2,407,924)</u>	<u>\$ 1,507,520</u>

Balance Sheet for December 31, 2007:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Cash and cash equivalents	\$ 82,911	\$ 10,004	\$ 141,774	\$ —	\$ 234,689
Accounts receivable	135	150,662	71,438	—	222,235
Inventories	—	108,958	67,019	—	175,977
Other current assets	24,703	3,530	4,633	—	32,866
Total current assets	107,749	273,154	284,864	—	665,767
Property, plant and equipment, net	2,493	100,806	79,138	—	182,437
Goodwill	7,980	151,297	73,316	—	232,593
Investment in Subsidiaries	1,311,343	223,145	59,850	(1,594,338)	—
Other intangibles, net	1,354	46,602	10,717	—	58,673
Other long term assets	(1,526)	693	20,065	—	19,232
Total assets	<u>\$ 1,429,393</u>	<u>\$ 795,697</u>	<u>\$ 527,950</u>	<u>\$ (1,594,338)</u>	<u>\$ 1,158,702</u>
Current liabilities	\$ 1,576	\$ 203,938	\$ 89,721	\$ —	\$ 295,235
Intercompany	608,282	(644,920)	36,638	—	—
Long-term debt	150,000	177	—	—	150,177
Other long term liabilities	52,267	13,445	30,310	—	96,022
Total liabilities	812,125	(427,360)	156,669	—	541,434
Stockholders' equity	617,268	1,223,057	371,281	(1,594,338)	617,268
Total Liabilities and Stockholders' Equity	<u>\$ 1,429,393</u>	<u>\$ 795,697</u>	<u>\$ 527,950</u>	<u>\$ (1,594,338)</u>	<u>\$ 1,158,702</u>

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Income Statement for the Year Ended December 31, 2008:

<i>In thousands</i>	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination (1)</u>	<u>Consolidated</u>
Net sales	\$ —	\$1,154,546	\$ 527,908	\$ (107,705)	\$ 1,574,749
Cost of sales	(163)	(763,456)	(440,910)	56,966	(1,147,563)
Gross profit (loss)	(163)	391,090	86,998	(50,739)	427,186
Total operating expenses	(54,166)	(110,855)	(49,649)	—	(214,670)
(Expense) income from operations	(54,329)	280,235	37,349	(50,739)	212,516
Interest (expense) income, net	(20,620)	8,432	3,680	—	(8,508)
Other (expense) income, net	43	5,051	(4,802)	—	292
Equity earnings (loss)	249,331	35,127	—	(284,458)	—
Pretax income (loss)	174,425	328,845	36,227	(335,197)	204,300
Income tax expense	(43,874)	(12,543)	(17,329)	—	(73,746)
Income (loss) from continuing operations	130,551	316,302	18,898	(335,197)	130,554
Income (loss) from discontinued operations (net of tax)	—	—	(3)	—	(3)
Net income (loss)	<u>\$130,551</u>	<u>\$ 316,302</u>	<u>\$ 18,895</u>	<u>\$ (335,197)</u>	<u>\$ 130,551</u>

Income Statement for the Year Ended December 31, 2007:

<i>In thousands</i>	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination (1)</u>	<u>Consolidated</u>
Net sales	\$ —	\$1,022,827	\$ 453,607	\$ (116,346)	\$ 1,360,088
Cost of sales	4,331	(697,322)	(377,243)	79,765	(990,469)
Gross profit (loss)	4,331	325,505	76,364	(36,581)	369,619
Total operating expenses	(49,977)	(94,089)	(45,812)	—	(189,878)
(Expense) income from operations	(45,646)	231,416	30,552	(36,581)	179,741
Interest (expense) income, net	(19,862)	12,497	3,728	—	(3,637)
Other (expense) income, net	(997)	2,302	(4,955)	—	(3,650)
Equity earnings (loss)	211,117	20,452	—	(231,569)	—
Pretax income (loss)	144,612	266,667	29,325	(268,150)	172,454
Income tax expense	(35,712)	(14,800)	(12,555)	—	(63,067)
Income (loss) from continuing operations	108,900	251,867	16,770	(268,150)	109,387
Income (loss) from discontinued operations (net of tax)	670	(215)	(272)	—	183
Net income (loss)	<u>\$109,570</u>	<u>\$ 251,652</u>	<u>\$ 16,498</u>	<u>\$ (268,150)</u>	<u>\$ 109,570</u>

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Income Statement for the Year Ended December 31, 2006:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination (1)	Consolidated
Net sales	\$ —	\$ 846,600	\$ 360,332	\$ (119,312)	\$ 1,087,620
Cost of sales	3,435	(597,558)	(293,961)	97,241	(790,843)
Gross profit (loss)	3,435	249,042	66,371	(22,071)	296,777
Total operating expenses	(45,660)	(83,859)	(37,107)	—	(166,626)
(Expense) income from operations	(42,225)	165,183	29,264	(22,071)	130,151
Interest (expense) income, net	(16,993)	12,377	2,439	—	(2,177)
Other income (expense), net	(1,695)	7,821	(7,543)	—	(1,417)
Equity earnings (loss)	155,103	5,848	—	(160,951)	—
Pretax income (loss)	94,190	191,229	24,160	(183,022)	126,557
Income tax expense	(9,712)	(19,720)	(10,631)	—	(40,063)
Income (loss) from continuing operations	84,478	171,509	13,529	(183,022)	86,494
Loss from discontinued operations (net of tax)	326	(317)	(1,699)	—	(1,690)
Net income (loss)	\$ 84,804	\$ 171,192	\$ 11,830	\$ (183,022)	\$ 84,804

(1) Includes elimination of gross profit realized with certain intercompany transactions between Guarantor and Non-Guarantor subsidiaries.

Condensed Statement of Cash Flows for the Year Ended December 31, 2008:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash (used in) provided by operating activities	\$(214,862)	\$ 630,461	\$ 79,012	\$(335,197)	\$ 159,384
Net cash used in investing activities	(362)	(319,198)	(97,881)	—	(417,441)
Net cash provided by (used in) financing activities	170,254	(316,965)	1,225	335,197	189,711
Effect of changes in currency exchange rates	—	—	(24,538)	—	(24,538)
Decrease in cash	(44,970)	(5,732)	(42,182)	—	(92,884)
Cash, beginning of period	82,911	10,004	141,774	—	234,689
Cash, end of period	\$ 37,941	\$ 4,272	\$ 99,592	\$ —	\$ 141,805

Condensed Statement of Cash Flows for the Year Ended December 31, 2007:

<i>In thousands</i>	Parent	Guarantors	Non-Guarantors	Elimination	Consolidated
Net cash provided by (used in) operating activities	\$ (10,198)	\$ 344,649	\$ 76,208	\$(268,150)	\$ 142,509
Net cash used in investing activities	(796)	(82,105)	(10,635)	—	(93,536)
Net cash (used in) provided by financing activities	(12,328)	(252,309)	(16,498)	268,150	(12,985)
Effect of changes in currency exchange rates	—	—	10,722	—	10,722
Increase (decrease) in cash	(23,322)	10,235	59,797	—	46,710
Cash, beginning of period	106,233	(231)	81,977	—	187,979
Cash, end of period	\$ 82,911	\$ 10,004	\$ 141,774	\$ —	\$ 234,689

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Condensed Statement of Cash Flows for the Year Ended December 31, 2006:

<i>In thousands</i>	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net cash provided by (used in) operating activities	\$ 20,915	\$ 222,670	\$ 90,464	\$(183,022)	\$ 151,027
Net cash used in investing activities	(774)	(48,951)	(55,037)	—	(104,762)
Net cash provided by (used in) financing activities	(1,807)	(171,192)	(11,830)	183,022	(1,807)
Effect of changes in currency exchange rates	—	—	2,156	—	2,156
Increase (decrease) in cash	18,334	2,527	25,753	—	46,614
Cash, beginning of period	87,899	(2,758)	56,224	—	141,365
Cash, end of period	<u>\$ 106,233</u>	<u>\$ (231)</u>	<u>\$ 81,977</u>	<u>\$ —</u>	<u>\$ 187,979</u>

23. OTHER INCOME (EXPENSE)

The components of other expense are as follows:

<i>In thousands</i>	For the year ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Foreign currency loss	\$(399)	\$(3,190)	\$(1,127)
Other miscellaneous income (expense)	691	(460)	(290)
Total other income (expense)	<u>\$ 292</u>	<u>\$(3,650)</u>	<u>\$(1,417)</u>

24. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

<i>In thousands, except per share data</i>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2008				
Net sales	\$ 383,327	\$ 390,194	\$ 396,017	\$ 405,211
Gross profit	105,215	108,501	107,674	105,796
Income from operations	53,886	55,922	52,454	50,254
Income from continuing operations	32,513	33,762	33,170	31,109
(Loss) income from discontinued operations (net of tax)	(3)	—	—	—
Net income	32,510	33,762	33,170	31,109
Basic earnings from continuing operations per common share	\$ 0.67	\$ 0.70	\$ 0.69	\$ 0.65
Diluted earnings from continuing operations per common share	\$ 0.66	\$ 0.69	\$ 0.68	\$ 0.64
2007				
Net sales	\$ 314,264	\$ 325,722	\$ 354,834	\$ 365,268
Gross profit	86,566	90,850	95,717	96,486
Income from operations	42,264	45,917	45,792	45,768
Income from continuing operations	25,554	28,125	26,760	28,948
(Loss) income from discontinued operations (net of tax)	(32)	5	482	(272)
Net income	25,522	28,130	27,242	28,676
Basic earnings from continuing operations per common share	\$ 0.53	\$ 0.58	\$ 0.55	\$ 0.59
Diluted earnings from continuing operations per common share	\$ 0.52	\$ 0.57	\$ 0.54	\$ 0.59

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The Company operates on a four-four-five week accounting calendar, and accordingly, the quarters end on or about March 31, June 30 and September 30. The fiscal year ends on December 31.

The second and fourth quarter of 2007 includes a tax benefit for the release of a valuation allowance of \$1.4 million and \$1.7 million, respectively.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

For each of the three years ended December 31

<u>In thousands</u>	<u>Balance at beginning of period</u>	<u>Charged/ (credited) to expense</u>	<u>Charged to other accounts (1)</u>	<u>Deductions from reserves (2)</u>	<u>Balance at end of period</u>
2008					
Warranty and overhaul reserves	\$ 22,314	\$ 17,085	\$ 3,896	\$ 12,619	\$30,676
Allowance for doubtful accounts	4,574	2,676	986	3,268	4,968
Valuation allowance-taxes	475	(337)	—	—	138
Inventory reserves	17,130	7,310	4,251	6,900	21,789
Merger and restructuring reserve	2,028	2,863	(407)	2,332	2,152
2007					
Warranty and overhaul reserves	\$ 17,399	\$ 10,441	\$ 5,293	\$ 10,819	\$22,314
Allowance for doubtful accounts	3,615	2,317	744	2,102	4,574
Valuation allowance-taxes	5,821	(3,125)	(2,221)	—	475
Inventory reserves	18,010	4,652	2,359	7,891	17,130
Merger and restructuring reserve	1,812	1,879	262	1,925	2,028
2006					
Warranty and overhaul reserves	\$ 16,158	\$ 10,622	\$ 243	\$ 9,624	\$17,399
Allowance for doubtful accounts	4,070	2,106	141	2,702	3,615
Valuation allowance-taxes	15,096	(5,276)	(3,999)	—	5,821
Inventory reserves	15,588	9,038	192	6,808	18,010
Merger and restructuring reserve	1,036	3,595	—	2,819	1,812

(1) Reserves of acquired/(sold) companies; valuation allowances for state and foreign deferred tax assets; impact of fluctuations in foreign currency exchange rates.

(2) Actual disbursements and/or charges

EXHIBIT INDEX

<u>Exhibits</u>		<u>Filing Method</u>
2.1	Amended and Restated Agreement and Plan of Merger, as amended (originally included as Annex A to the Joint Proxy Statement/Prospectus)	3
3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995	2
3.2	Amended and Restated By-Laws of the Company, effective December 13, 2007	7
4.1(a)	Indenture with the Bank of New York as Trustee dated as of August 6, 2003	5
4.1(b)	Resolutions Adopted July 23, 2003 by the Board of Directors establishing the terms of the offering of up to \$150,000,000 aggregate principal amount of 6.875% Notes due 2013	5
4.2	Purchase Agreement, dated July 23, 2003, by and between the Company and the initial purchasers	5
4.3	Exchange and Registration Rights Agreement, dated August 6, 2003	5
10.1	Indemnification Agreement dated January 31, 1995 between the Company and the Voting Trust Trustees	2
10.2	Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc. (now known as Trane), dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)	2
10.3	Letter Agreement (undated) between the Company and American Standard Inc. (now known as Trane) on environmental costs and sharing	2
10.4	Purchase Agreement dated as of June 17, 1992 among the Company, Schuller International, Inc., Manville Corporation and European Overseas Corporation (only provisions on indemnification are reproduced)	2
10.5	Asset Purchase Agreement dated as of January 23, 1995 among the Company, Pulse Acquisition Corporation, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc. and the Pulse Shareholders (Schedules and Exhibits omitted)	2
10.6	Letter Agreement dated as of January 19, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.7	Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended	9
10.8	Letter Agreement dated as of January 1, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.9	Form of Indemnification Agreement between the Company and Authorized Representatives	2
10.10	Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan, as amended	9
10.11	Asset Purchase Agreement, by and between General Electric Company, through its GE Transportation Systems business and Westinghouse Air Brake Technologies Corporation, dated as of July 24, 2001	4

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<u>Exhibits</u>		<u>Filing Method</u>
10.12	Sale and Purchase Agreement, by and between Rütgers Rail S.p.A. and the Company, dated August 12, 2004	6
10.13	Amendment Agreement dated January 28, 2005 by and among Rütgers Rail S.p.A., the Company, CoFren S.r.l. and RFPC Holding Company to the Sale and Purchase Agreement dated August 12, 2004	6
10.14	Employment Agreement with Albert J. Neupaver, dated February 1, 2006	8
10.15	Restricted Stock Agreement with Albert J. Neupaver, dated February 1, 2006	8
10.16	Stock Purchase Agreement, by and among Wabtec Holding Company, certain shareholders of Schaefer Manufacturing, Inc. and CCP Limited Partnership, dated October 6, 2006	10
10.17	Share Purchase Agreement, by and between BBA Holding Deutschland GmbH and Westinghouse Air Brake Technologies Corporation, dated November 27, 2006 (Exhibits and Schedules omitted, but will be provided to the Commission upon request)	11
10.18	Share Purchase Agreement dated as of June 8, 2007 among the Company, RICON Acquisition Corp., RICON Corp., CGW Southeast Partners IV, L.P. and William L. Baldwin	12
10.19	Stock Purchase Agreement, by and between the Company and Polinvest S.r.l., dated May 16, 2008	13
10.20	Stock Purchase Agreement, by and among the Company, Standard Car Truck Company and Robclif, Inc., dated September 12, 2008	14
10.21	Refinancing Credit Agreement by and among the Company, the Guarantors, various lenders, PNC Bank, National Association, PNC Capital Markets LLC, J.P. Morgan Securities, Inc., RBS Greenwich Capital, JP Morgan Chase Bank, Bank of America, N.A., Citizens Bank of Pennsylvania, the Bank of Nova Scotia and First Commonwealth Bank, dated as of November 4, 2008	1
21	List of subsidiaries of the Company	1
23.1	Consent of Ernst & Young LLP	1
31.1	Rule 13a-14(a)/15d-14(a) Certifications	1
31.2	Rule 13a-14(a)/15d-14(a) Certifications	1
32.1	Section 1350 Certifications	1
1	Filed herewith.	
2	Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866).	
3	Filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903).	
4	Filed as an exhibit to the Company's Current Report on Form 8-K, dated November 13, 2001.	
5	Filed as an exhibit to the Company's Registration Statement on Form S-4 (No. 333-110600).	
6	Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2004.	
7	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 13, 2007.	
8	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2006.	
9	Filed as an Annex to the Company's Schedule 14A Proxy Statement filed on April 13, 2006.	
10	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006.	
11	Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2006.	
12	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007.	
13	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2008.	
14	Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2008.	

SENIOR REVOLVING CREDIT AND TERM LOAN FACILITY

**\$300,000,000 REVOLVING CREDIT FACILITY
\$200,000,000 TERM LOAN FACILITY**

**REFINANCING
CREDIT AGREEMENT**

by and among

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

and

THE GUARANTORS PARTY HERETO

and

THE LENDERS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION,

As Administrative Agent,

PNC Capital Markets LLC, and J.P. Morgan Securities Inc., RBS Greenwich Capital,

as Co-Lead Arrangers and Joint Bookrunners,

and

JPMorgan Chase Bank, as Syndication Agent,

**Bank of America, N.A., Citizens Bank of Pennsylvania, The Bank of Nova Scotia, and First
Commonwealth Bank,**

as Co-Documentation Agents

Dated as of November 4, 2008

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EXHIBIT E Form of Notice of Borrowing (Section 2.2.2)
EXHIBIT F Form of Notice of Conversion/Continuation (Section 2.2.3)
EXHIBIT G Form of Acquisition Compliance Certificate
EXHIBIT H Form of Guarantor Joinder

**REFINANCING
CREDIT AGREEMENT**

THIS REFINANCING CREDIT AGREEMENT, dated as of November 4, 2008 (this "Agreement") is entered into among WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION, a Delaware corporation (the "Company"), each of the other Loan Parties (as hereinafter defined) from time to time party hereto, the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders"), and PNC BANK, NATIONAL ASSOCIATION (in its individual capacity, "PNC"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), JPMORGAN CHASE BANK, N.A., as syndication agent, and Bank of America, N.A., Citizens Bank of Pennsylvania, The Bank of Nova Scotia, and First Commonwealth Bank, as co-documentation agents.

The Company, the other Loan Parties, Administrative Agent, and certain lenders (including some of the Lenders hereunder) are parties to a Refinancing Credit Agreement, dated as of January 12, 2004, as amended from time to time (as amended to the date hereof, the "Prior Credit Agreement"), providing for a revolving credit facility which refinanced amounts outstanding under an Amended and Restated Refinancing Credit Agreement, dated as of November 19, 1999, among the Company, other Loan Parties, Administrative Agent, and certain lenders (including some of the Lenders hereunder); and

The Company has requested the Lenders to refinance the amounts outstanding under the Prior Credit Agreement, to provide (i) a senior revolving credit facility to the Company in an aggregate principal amount not to exceed \$300,000,000, as such amount may be increased in accordance with the terms hereof, and (ii) a \$200,000,000 senior term loan facility; and

The Lenders have agreed to make available to the Company such credit and refinance the amounts outstanding under the Prior Credit Agreement upon the terms and conditions set forth herein.

In consideration of their mutual covenants and agreements herein contained and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

SECTION I DEFINITIONS.

1.1 Definitions.

When used herein the following terms shall have the following meanings:

Acquired Debt means mortgage Debt or Debt with respect to Capital Leases of a Person existing at the time such Person became a Subsidiary or assumed by the Company or a Subsidiary of the Company pursuant to an Acquisition permitted hereunder (and not created or incurred in connection with or in anticipation of such Acquisition).

Acquisition means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, (b) the acquisition of in excess of 50% of the Capital Securities of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is already a Subsidiary).

Administrative Agent means PNC Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

Affected Loan - see Section 8.3.

Affiliate of any Person means (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person and (c) with respect to any Lender, any entity administered or managed by such Lender or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be “controlled by” any other Person if such Person possesses, directly or indirectly, power to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party.

Agent Fee Letter means the Fee Letter dated as of August 6, 2008, between the Company, the Administrative Agent, and PNC Capital Markets LLC.

Agreement - see the Preamble.

Alternate Currency means with respect to any Revolving Loan, Canadian Dollars to the extent that such currency is freely tradable and exchangeable into Dollars in the London or other applicable interbank market and for which an Exchange Rate can be determined by reference to the Bloomberg Financial Markets system or other authoritative source selected by the Administrative Agent in its sole discretion.

Anti-Terrorism Laws shall mean any Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act (defined at Section 15.20), the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced).

Applicable Margin means, for any day, the rate per annum set forth below opposite the applicable level based on the Total Debt to EBITDA Ratio (the “Level”) then in effect, it being understood that the Applicable Margin for (i) LIBOR Loans shall be the percentage (expressed in basis points) set forth below under the column “LIBOR Margin”, and (ii) Base Rate Loans shall be the percentage (expressed in basis points) set forth below under the column “Base Rate Margin”. The Standby L/C Fee Rate shall be the rate per annum set forth below opposite the applicable Level then in effect as the percentage (expressed in basis points) set forth under the column “Standby L/C Fee” and the Commercial L/C Fee Rate shall be the rate per annum set forth below opposite the applicable Level then in effect as the percentage (expressed in basis points) set forth under the column “Commercial L/C Fee”.

Level	Total Debt To EBITDA	LIBOR Margin (bps)	Base Rate Margin (bps)	Standby L/C Fee (bps)	Commercial L/C Fee (bps)
I	³ 2.50x	+200.00	50.00	+200.00	+100.00
II	³ 2.00x < 2.50x	+175.00	25.00	+175.00	+87.50
III	³ 1.50x < 2.00x	+150.00	0.00	+150.00	+75.00
IV	< 1.50x	+125.00	0.00	+125.00	+62.50

The LIBOR Margin, the Base Rate Margin, the Commercial L/C Fee Rate, and the Standby L/C Fee Rate shall be adjusted, to the extent applicable, on the date on which Company is required to provide the annual or quarterly financial statements and other information pursuant [Section 10.1.1](#) or [10.1.2](#), as applicable, and the related Compliance Certificate, pursuant to [Section 10.1.3](#). Notwithstanding anything contained in this paragraph to the contrary, (a) if the Company fails to deliver the such financial statements and Compliance Certificate in accordance with the provisions of [Sections 10.1.1](#), [10.1.2](#) and [10.1.3](#), the LIBOR Margin, the Base Rate Margin, the Commercial L/C Fee Rate, and the Standby L/C Fee Rate shall be based upon Level I above beginning on the date such financial statements and Compliance Certificate were required to be delivered until the fifth (5th) Business Day after such financial statements and Compliance Certificate are actually delivered, whereupon the LIBOR Margin, the Base Rate Margin, the Commercial L/C Fee Rate, and the Standby L/C Fee Rate shall be determined by the then current Level; (b) no reduction to any of the LIBOR Margin, the Base Rate Margin, the Commercial L/C Fee Rate, or the Standby L/C Fee Rate shall become effective at any time when an Event of Default or Unmatured Event of Default has occurred and is continuing; and (c) notwithstanding any other provision hereof and solely for the purpose of determining the LIBOR Margin, the Base Rate Margin, the Commercial L/C Fee Rate, and the Standby L/C Fee Rate, the initial LIBOR Margin, Base Rate Margin, Commercial L/C Fee Rate, and Standby L/C Fee Rate on the Closing Date shall be based on Level II until the date on which the financial statements and Compliance Certificate are due to be delivered for the Fiscal Quarter ending December 31, 2008.

[Asset Disposition](#) see the definition of Significant Disposition.

[Assignee](#) - see [Section 15.6.1](#).

[Assignment Agreement](#) - see [Section 15.6.1](#).

[Attorney Costs](#) means, with respect to any Person, all reasonable fees and charges of any counsel to such Person, the reasonable allocable cost of internal legal services of such Person, all reasonable disbursements of such internal counsel and all court costs and similar legal expenses.

[Augmenting Lender](#) see [Section 6.5](#).

[Base Rate](#) means, for any day, a fluctuating per annum rate of interest equal to the highest of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate, and (c) the Daily LIBOR Rate plus 150 basis points (1.50%). Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs. Interest on borrowings at the Base Rate is calculated on an actual/actual day basis and is payable quarterly.

Base Rate Loan means any Loan which bears interest at or by reference to the Base Rate.

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and if the applicable Business Day relates to any Loan to which the LIBOR Rate applies, the term "Business Day," shall also exclude any day on which banks are not open for dealings in the relevant currency in the London interbank market, other applicable interbank market, or the principal financial center of the country in which payment or purchase of the relevant Alternate Currency can be made (and, if the Loan or Letter of Credit drawing which are the subject of a borrowing, drawing, payment, reimbursement or rate selection are denominated in euro, the term "Business Day," shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in euro).

Capital Expenditures means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Company, including expenditures in respect of Capital Leases, but excluding Acquisitions permitted pursuant to Section 11.5 and expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (b) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

Capital Lease means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

Capital Securities means, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the Closing Date, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent of such ownership interest.

Cash Collateralize means to deliver cash collateral to the Administrative Agent, to be held as cash collateral for outstanding Letters of Credit, pursuant to documentation satisfactory to the Administrative Agent. Derivatives of such term have corresponding meanings.

Cash Equivalent Investment means, at any time, (a) any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States Government or any agency thereof, (b) commercial paper, maturing not more than one year from the date of issue, or corporate demand notes, in each case (unless issued by a Lender or its holding company) rated at least A-1 by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or P-1 by Moody's Investors Service, Inc., (c) any certificate of deposit, time deposit or banker's acceptance, maturing not more than one year after such time, or any overnight Federal Funds transaction that is issued or sold by any Lender or its holding company (or by a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000), (d) any repurchase agreement entered into with any Lender (or commercial banking institution of the nature referred to in clause (c)) which (i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c) above and (ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation

of such Lender (or other commercial banking institution) thereunder, (e) money market accounts or mutual funds which invest exclusively in assets satisfying the foregoing requirements, (f) securities, maturing not more than eighteen months from the date of purchase, rated at least AA by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or Aa by Moody's Investors Service, Inc., and (g) other short term liquid investments approved in writing by the Administrative Agent.

Casualty Disposition see the definition of "Significant Disposition."

Change of Control means (i) any person or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 50% or more of the voting capital stock of the Company; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Company on the first day of such period shall cease to constitute a majority of the board of directors of the Company.

Closing Date - see Section 12.1.

Code means the Internal Revenue Code of 1986.

Collateral Documents means, collectively, the Guaranty Agreement and any agreement or instrument pursuant to which the Company, any Subsidiary or any other Person hereafter grants or purports to grant collateral to the Administrative Agent for the benefit of the Lenders or otherwise relates to such collateral.

Commercial Letter of Credit means any Letter of Credit which is a commercial letter of credit issued in respect of the purchase of goods or services.

Commercial Letter of Credit Fee see Section 5.2.

Commercial L/C Fee Rate is defined, and subject to the terms set forth, in the definition of "Applicable Margin."

Commitment shall mean as to any Lender the aggregate of its Revolving Commitment and Term Loan Commitment and, in the case of PNC, its Swing Line Loan Commitment, and Commitments shall mean the aggregate of the Revolving Commitments, Term Loan Commitments and Swing Line Loan Commitment of all of the Lenders.

Commitment Fee - see Section 5.1.

Commitment Fee Rate means 25 basis points (0.25%) per annum whenever Revolving Outstandings are equal to or greater than thirty-three percent (33%) of the Revolving Commitments and means 35 basis points (0.35%) per annum whenever Revolving Outstandings are less than thirty-three percent (33%) of the Revolving Commitments.

Company - see the Preamble.

Compliance Certificate means a Compliance Certificate in substantially the form of Exhibit B.

Computation Period means each period of four consecutive Fiscal Quarters ending on the last day of a Fiscal Quarter.

Consolidated Net Income means, with respect to the Company and its Subsidiaries for any period, the net income (or loss) of the Company and its Subsidiaries for such period.

Contingent Liability means, without duplication, with respect to any Person, each obligation and liability of such Person and all such obligations and liabilities of such Person incurred pursuant to any agreement, undertaking or arrangement by which such Person: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the Capital Securities of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

Controlled Group means all members of a controlled group of corporations, all members of a controlled group of trades or businesses (whether or not incorporated) under common control and all members of an affiliated service group which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

Daily LIBOR Rate means, for any day, the rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, at the discretion of Administrative Agent, to the nearest 1/100th of 1% per annum) (x) the Published Rate by (y) a number equal to 1.00 *minus* the Reserve Percentage on such day.

Debt of any Person means, without duplication, (a) all indebtedness of such Person, (b) all borrowed money of such Person, whether or not evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person as lessee under Capital Leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (e) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person; provided that if such Person has not assumed or otherwise become liable for such indebtedness, such indebtedness shall be measured at the fair market value of such property securing such indebtedness at the time of determination, (f) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), (g) all Hedging Obligations of such Person, (h) all Contingent Liabilities of such Person and (i) all Debt of any partnership of which such Person is a general partner.

Debt to be Repaid means Debt listed on Schedule 12.1.

Defaulting Lender means any Lender that (a) has failed to fund any portion of the Revolving Loans, the Term Loans, participations with respect to Letters of Credit (as provided in Section 2.3), or participations in Swing Line Loans (as provided in Section 2.2.4) required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder unless such failure has been cured and all interest accruing as a result of such failure has been fully paid in accordance with the terms hereof, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute or unless such failure has been cured and all interest accruing as a result of such failure has been fully paid in accordance with the terms hereof, or (c) has been deemed insolvent or become the subject of a bankruptcy, receivership, conservatorship or insolvency proceeding.

Delinquent Lender - see Section 7.5.

Designated Proceeds - see Section 6.2.2(a).

Dollar and the sign “\$” mean lawful money of the United States of America.

Dollar Equivalent shall mean (A) with respect to a Letter of Credit the amount in Dollars (i) which is to be paid in Dollars under the Letter of Credit, and (ii) which is equivalent to the amount to be paid in a currency other than Dollars under the Letter of Credit computed at the Administrative Agent’s then current selling rate of exchange, as reasonably determined by Administrative Agent, for payment by teletransmission or otherwise to or at the place of payment when and in the currency in which payment is to be made under the Letter of Credit, plus any and all costs, premiums, and expenses arising from all currency conversions incurred by Administrative Agent in connection therewith, and (B) with respect to Revolving Loans (i) as to any such Loan denominated in Dollars, the principal amount thereof, and (ii) as to any such Loan denominated in an Alternate Currency, the amount in Dollars which is equivalent to the principal amount thereof, determined by the Administrative Agent using the Exchange Rate with respect to such Alternate Currency at the time in effect.

EBITDA means, for any period, Consolidated Net Income for such period plus, to the extent deducted in determining such Consolidated Net Income, Interest Expense, income tax expense, depreciation, amortization, losses from Asset Dispositions, extraordinary losses, noncash losses from discontinued operations and other noncash charges to net income for such period, minus, to the extent added in determining such Consolidated Net Income, noncash credits to net income, gains from Asset Dispositions, noncash gains from discontinued operations, and other extraordinary income for such period; provided, however, that in the event of an acquisition or disposition of a Subsidiary or material line of business or a material division during the period of determination and solely for the purposes of Section 11.14.2, such calculation shall (a) in the case of such a disposition, exclude for the period of determination EBITDA attributable to the disposed of Subsidiary, line of business, or division as if such disposition had occurred at the beginning of such period of determination and (b) in the case of such an acquisition, include for the period of determination the EBITDA attributable to the acquired Subsidiary, line of business, or division as if such acquisition had occurred at the beginning of such period of determination.

Environmental Claims means all claims, however asserted, by any governmental, regulatory or judicial authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

Environmental Laws means all present or future federal, state or local Laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to any matter arising out of or relating to public health and safety, or pollution or protection of the environment or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

Equity Disposition see the definition of “Significant Disposition.”

ERISA means the Employee Retirement Income Security Act of 1974.

ESOP see Section 11.4.

Event of Default means any of the events described in Section 13.1.

Exchange Rate means, on any day, with respect to an Alternate Currency, the rate at which such Alternate Currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m., London or such other applicable time, on such date by reference to the *Bloomberg Financial Markets* system for such Alternate Currency (or other authoritative source selected by the Administrative Agent in its sole discretion) or, in the event of the unavailability of any such source, the Exchange Rate shall instead be the spot rate of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternate Currency are then being conducted, at or about 11:00 a.m. at the place of such market, on such date for the purchase of Dollars for delivery two Business Days later; *provided* that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

Exchange Rate L/C Excess Amount see Section 2.3.1.

Excluded Taxes means taxes based upon, or measured by, the Lender’s or Administrative Agent’s (or a branch of the Lender’s or Administrative Agent’s) overall net income, overall net receipts, or overall net profits (including franchise taxes imposed in lieu of such taxes).

Federal Funds Rate means, for any day, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent. The Administrative Agent’s determination of such rate shall be binding and conclusive absent manifest error.

Fiscal Quarter means a fiscal quarter of a Fiscal Year.

Fiscal Year means the fiscal year of the Company and its Subsidiaries, which period shall be the 12-month period ending on December 31 of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g., “Fiscal Year 2008”) refer to the Fiscal Year ending on December 31, 2008, of such calendar year.

FRB means the Board of Governors of the Federal Reserve System or any successor thereto.

GAAP means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession) and the Securities and Exchange Commission, which are applicable to the circumstances as of the date of determination.

Group - see Section 2.2.1.

Guaranty Agreement means the Guaranty Agreement dated as of the date hereof executed and delivered by the Loan Parties, together with any joinders thereto and any other guaranty agreement executed by a Loan Party, in each case in form and substance satisfactory to the Administrative Agent.

Hazardous Substances means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, radon gas and mold; (b) any chemicals, materials, pollutant or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous substances", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to or release of which is prohibited, limited or regulated by any governmental authority or for which any duty or standard of care is imposed pursuant to any Environmental Law.

Hedging Agreement means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

Hedging Obligation means, with respect to any Person, any liability of such Person under any Hedging Agreement. The amount of any Person's obligation in respect of any Hedging Obligation shall be deemed to be the incremental obligation that would be reflected in the financial statements of such Person in accordance with GAAP.

Indemnified Liabilities - see Section 15.16.

Intercompany Subordination Agreement means the Intercompany Subordination Agreement dated as of the date hereof executed and delivered by the Loan Parties, together with any joinders thereto and any other intercompany subordination agreement executed by a Loan Party or a Subsidiary of a Loan Party, in each case in form and substance satisfactory to the Administrative Agent.

Interest Coverage Ratio means, for any Computation Period, the ratio of (a) EBITDA for such Computation Period to (b) cash Interest Expense for such Computation Period.

Interest Expense means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on Capital Leases).

Interest Period means, as to any LIBOR Loan, the period commencing on the date such Loan is borrowed or continued as, or converted into, a LIBOR Loan and ending on the date one, two, three, six, nine, or twelve months thereafter (as such periods may be available in the determination of Administrative Agent) as selected by the Company pursuant to Section 2.2.2 or 2.2.3, as the case may be; provided that for any LIBOR Loan in an Alternate Currency only one or two month periods shall be available, and provided further that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period;

(c) the Company may not select any Interest Period for a Revolving Loan which would extend beyond the scheduled Termination Date; and

(d) the Company may not select any Interest Period for a Term Loan if, after giving effect to such selection, the aggregate principal amount of all Term Loans having Interest Periods ending after any date on which an installment of the Term Loans is scheduled to be repaid would exceed the aggregate principal amount of the Term Loans scheduled to be outstanding after giving effect to such repayment.

Investment means, with respect to any Person, any investment in another Person, whether by acquisition of any debt or Capital Security, by making any loan or advance, by becoming obligated with respect to a Contingent Liability in respect of obligations of such other Person (other than travel and similar advances to employees in the ordinary course of business) or by making an Acquisition.

Issuing Lender means PNC in its capacity as the issuer of Letters of Credit hereunder, or any of its Affiliates that may from time to time issue Letters of Credit, and each of their successors and assigns in such capacity, and additionally means Bank of America, N.A., as successor by merger to LaSalle and on its own behalf, solely with respect to Letters of Credit issued by LaSalle and described on Schedule 2.3 (and renewals thereof)[and JPMC solely with respect to Letters of Credit issued by JPMC and described on Schedule 2.3 (and renewals thereof)].

JPMC means JPMorgan Chase Bank, N.A., and its successors and assigns.

LaSalle means LaSalle Bank National Association and its successors and assigns, including Bank of America, N.A.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award by or settlement agreement with any Official Body.

L/C Application means, with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the Issuing Lender at the time of such request for the type of letter of credit requested.

L/C Fee Rate - see the definition of Applicable Margin.

Lenders means the financial institutions named on Schedule 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Lender. For the purpose of any Loan Document which provides for the granting of a security interest or other Lien to the Lenders or to the Administrative Agent for the benefit of the Lenders as security for the Obligations, "Lenders" shall include any Affiliate of a Lender to which such Obligation is owed.-

Lender Party - see Section 15.18.

Letter of Credit - see Section 2.1.2.

Level see the definition of Applicable Margin.

LIBOR Loan means any Loan which bears interest at a rate determined by reference to the LIBOR Rate.

LIBOR Margin - see the definition of Applicable Margin.

LIBOR Office means with respect to any Lender the office or offices of such Lender which shall be making or maintaining the LIBOR Loans of such Lender hereunder. A LIBOR Office of any Lender may be, at the option of such Lender, either a domestic or foreign office.

LIBOR Rate means a rate of interest equal to (a) the per annum rate of interest at which deposits in Dollars or the applicable Alternate Currency (as the case may be) in an amount comparable to the amount of the relevant LIBOR Loan and for a period equal to the relevant Interest Period are offered in the London or other applicable Interbank Eurodollar or Alternate Currency market at approximately 11:00 A.M. (London or such other applicable time) two (2) Business Days prior to the commencement of such Interest Period, which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which deposits in US dollars or the applicable Alternate Currency are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Administrative Agent which has been approved by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates at which deposits in US dollars or the applicable Alternate Currency are offered by leading banks in the London interbank deposit market (an "Alternate Source") or, if an Alternate Source is not available, as the LIBOR Rate is otherwise determined by the Administrative Agent in its sole and absolute discretion, divided by (the resulting quotient rounded upwards, at the discretion of Administrative Agent, to the nearest 1/100th of 1% per annum) (b) a number determined by subtracting from 1.00 the then applicable stated maximum reserve percentage (the "Reserve Percentage") for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); the LIBOR Rate shall be adjusted with respect to any LIBOR Loan that is outstanding on the effective date of any change in the Reserve Percentage as of such effective date. The Administrative Agent will give notice to the Company of the LIBOR Rate as determined or adjusted in accordance herewith. The Administrative Agent's determination of the LIBOR Rate shall be conclusive, absent manifest error.

Lien means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including an interest in respect of a Capital Lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of Law, by judicial process or otherwise.

Loan Documents means this Agreement, the Notes, the Letters of Credit, the Master Letter of Credit Agreement, the L/C Applications, the Intercompany Subordination Agreement, the Agent Fee Letter, the Collateral Documents, and all documents, instruments and agreements delivered in connection with the foregoing.

Loan Party means the Company and each domestic Subsidiary of the Company; provided however that the term, “Loan Party,” shall not include Ricon Acquisition Corporation, Intermodal Trailer Express, Inc., or Transit Care, Inc., for so long as any such entity is immaterial to the operations or income of the Company and its other Subsidiaries.

Loan or Loans means, as the context may require, Revolving Loans, Term Loans, and/or Swing Line Loans.

Mandatory Prepayment Event - see Section 6.2.2(a).

Margin Stock means any “margin stock” as defined in Regulation U.

Master Letter of Credit Agreement means, at any time, with respect to the issuance of Letters of Credit, a master or other letter of credit agreement or reimbursement agreement in the form, if any, being used by the Issuing Lender at such time.

Material Adverse Effect means (a) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, or properties of the Loan Parties taken as a whole, (b) a material impairment of the ability of the Loan Parties taken as a whole to perform any of the payment Obligations under any Loan Document or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document.

Multiemployer Pension Plan means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any other member of the Controlled Group may have any liability.

Non-U.S. Participant - see Section 7.6(d).

Notes means, collectively, the promissory notes in the form of Exhibit A-1 evidencing the Revolving Loans (a “Revolving Note”), in the form of Exhibit A-2 evidencing the Swing Line Loan (a “Swing Line Note”), and in the form of Exhibit A-3 evidencing the Term Loans (a “Term Note”).

Notice of Borrowing - see Section 2.2.2.

Notice of Conversion/Continuation - see Section 2.2.3.

Obligations means all obligations (monetary (including post-petition interest, allowed or not) or otherwise) of any Loan Party under this Agreement and any other Loan Document, including Attorney Costs and any reimbursement obligations of each Loan Party in respect of Letters of Credit, and all Hedging Obligations permitted hereunder which are owed to any Lender or its Affiliate, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

OFAC - see Section 10.4.

Official Body shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

Operating Lease means any lease of (or other agreement conveying the right to use) any real or personal property by any Loan Party, as lessee, other than any Capital Lease.

PBGC means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

Participant - see Section 15.6.2.

Pension Plan means a "pension plan", as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA or the minimum funding standards of ERISA (other than a Multiemployer Pension Plan), and as to which the Company or any member of the Controlled Group may have any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

Permitted Lien means a Lien expressly permitted hereunder pursuant to Section 11.2.

Permitted Note Indenture shall mean the indenture, dated as of August 6, 2003, in the original principal amount of \$150,000,000, among the Company and the Bank of New York, as Trustee, and any amendment, restatement, refinancing, or the like thereof to the extent permitted by Section 11.16.

Person means any natural person, corporation, partnership, trust, limited liability company, association, governmental authority or unit, or any other entity, whether acting in an individual, fiduciary or other capacity.

PNC - see the Preamble.

Prime Rate means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent at its main banking office in Pittsburgh, Pennsylvania, as its prime rate (whether or not such rate is actually charged by the Administrative Agent), which is not intended to be the Administrative Agent's lowest or most favorable rate of interest at any time. Any change in the Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change; provided that the Administrative Agent shall not be obligated to give notice of any change in the Prime Rate.

Prior Credit Agreement see the Recitals.

Pro Rata Share means

(i) with respect to a Lender's obligation to make Revolving Loans, participate in Letters of Credit or Swing Line Loans, reimburse an Issuing Lender, and receive payments of principal, interest, fees, costs, and expenses with respect thereto, the proportion that such Lender's Revolving Commitment bears to the Revolving Commitments of all of the Lenders, provided however that if the Revolving Commitments have terminated or expired, the Pro Rata Shares for purposes of this clause shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

(ii) with respect to a Lender's obligation to make Term Loans and receive payments of principal, interest, fees, costs, and expenses with respect thereto, the proportion that such Lender's Term Loans bears to the Term Loans of all of the Lenders, provided however that if the Term Loans have not yet been funded, the computation in this clause shall be determined based upon the Term Loan Commitments of the Lenders and not the amount of their Term Loans.

(iii) with respect all other matters as to a particular Lender, the percentage obtained by dividing (i) such Lender's Revolving Commitment plus Term Loan Commitment, by (ii) the sum of the aggregate amount of the Revolving Commitments plus Term Loans of all Lenders; provided however that if that if the Revolving Commitments have terminated or expired, the computation in this clause shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments, and not on the current amount of the Revolving Commitments and provided further that if the Term Loans have not yet been funded, the computation in this clause shall be determined based upon the Term Loan Commitments and not the current amount of the Term Loans.

Published Rate shall mean the rate of interest published each Business Day in *The Wall Street Journal* "Money Rates" listing under the caption "London Interbank Offered Rates" for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication determined by the Administrative Agent).

Refunded Swing Line Loan - see Section 2.2.4(c).

Regulation D means Regulation D of the FRB.

Regulation U means Regulation U of the FRB.

Replacement Lender - see Section 8.7(b).

Reportable Event means a reportable event as defined in Section 4043 of ERISA and the regulations issued thereunder as to which the PBGC has not waived the notification requirement of Section 4043(a), or the failure of a Pension Plan to meet the minimum funding standards of Section 412 of the Code (without regard to whether the Pension Plan is a plan described in Section 4021(a)(2) of ERISA) or under Section 302 of ERISA.

Required Lenders means, at any time, Lenders other than Defaulting Lenders whose Pro Rata Shares exceed 50% as determined pursuant to clause (iii) of the definition of "Pro Rata Share" provided, however, that the Commitments of, and the portion of the Loans held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

Reserve Percentage - see the definition of "LIBOR Rate."

Revolving Commitment means as to any Lender at any time the amount initially set forth opposite its name in the appropriate column of Schedule 1.1(B), as such Commitment is thereafter assigned or modified in accordance with the terms hereof, and Revolving Commitments means the aggregate Revolving Commitments of all the Lenders in the amount of \$300,000,000 as of the date hereof, as reduced from time to time pursuant to Section 6.1, or as increased pursuant to Section 6.5.

Revolving Loan - see Section 2.1.1.

Revolving Note - see the definition of "Notes."

Revolving Outstandings means, at any time, the sum of (a) the aggregate principal Dollar Equivalent amount of all outstanding Revolving Loans, plus (b) the Stated Amount of all Letters of Credit.

SEC means the Securities and Exchange Commission or any other governmental authority succeeding to any of the principal functions thereof.

Securitization means any sale, transfer or other disposition of assets relating to any one or more securitization, factoring or similar dispositions of assets.

Senior Officer means, with respect to any Loan Party, any of the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Treasurer, or Controller of such Loan Party.

Significant Disposition shall mean (i) any direct or indirect sale, lease, transfer, or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary (which term, for the purpose solely of this definition, shall have the meaning in this definition which is ascribed to such term by the Permitted Note Indenture), including any disposition by means of a merger, consolidation or similar transaction, of all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or any such Restricted Subsidiary (in each case an "Asset Disposition"), (ii) any direct or indirect sale, lease, transfer, or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction, of any shares, interests, rights to purchase, warrants, options, participations, or other equivalents of or interests in (however designated) equity of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable Law to be held by a Person other than the Company or a Restricted Subsidiary) ("Equity Disposition"), and (iii) any receipt of insurance proceeds arising from a loss or casualty to property of any Loan Party ("Casualty Disposition").

Significant Disposition Amount shall mean an amount of principal indebtedness required to be paid or prepaid at any time pursuant to the Permitted Note Indenture in connection with a Significant Disposition (or with respect to the incurrence or issuance of Debt, the net amount (excluding expenses) of the proceeds thereof) without giving effect to any payment or prepayment made or Cash Collateral pledged under this Agreement and without giving effect, at the time of determination, to any unconsummated acquisition of additional or replacement assets.

Standard Car Acquisition means that Acquisition by Company of the stock of Standard Car Truck Company, a Delaware corporation, in accordance with the terms of that Stock Purchase Agreement, dated as of the 12th day of September, 2008, among Company, Standard Car Truck Company, and Robclif, Inc. (the "Standard Car Acquisition Agreement"), for an aggregate consideration (excluding expenses in connection therewith, but including any Debt assumed or issued in connection therewith (the amount thereof to be calculated in accordance with GAAP)) not in excess of \$350,000,000.

Standard Car Acquisition Agreement - see the definition of "Standard Car Acquisition."

Standby Letter of Credit means a Letter of Credit which is not a Commercial Letter of Credit.

Standby Letter of Credit Fee see Section 5.2.

Standby L/C Fee Rate is defined, and subject to the terms set forth, in the definition of "Applicable Margin."

Stated Amount means, with respect to any Letter of Credit at any date of determination, (a) the maximum aggregate Dollar Equivalent (which with respect to Letters of Credit not yet honored shall be calculated by Administrative Agent on the basis of reasonable assumptions) amount available for drawing thereunder under any and all circumstances plus (b) the aggregate Dollar Equivalent amount of all unreimbursed payments and disbursements under such Letter of Credit.

Subsidiary means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than 50% of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company.

Swing Line Availability means the lesser of (a) the Swing Line Commitment Amount and (b) Revolving Commitment (less Revolving Outstandings at such time).

Swing Line Commitment Amount means \$10,000,000, as reduced from time to time pursuant to Section 6.1, which commitment constitutes a subfacility of the Revolving Commitment of the Swing Line Lender.

Swing Line Lender means PNC.

Swing Line Loan - see Section 2.2.4.

Swing Line Note – see the definition of “Notes.”

Taxes means any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings, and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing, but excluding Excluded Taxes.

Term Loan shall have the meaning specified in Section 2.4 [Term Loan Commitments]; Term Loans shall mean collectively all of the Term Loans.

Term Loan Commitment shall mean, as to any Lender at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the appropriate column, as such Commitment is thereafter assigned or modified, and Term Loan Commitments shall mean the aggregate Term Loan Commitments of all of the Lenders in the amount of \$200,000,000 as of the date hereof.

Term Note – see the definition of “Notes.”

Termination Date means the earlier to occur of (a) January 31, 2013, or (b) such other date on which the Commitments terminate pursuant to Section 6 or 13.

Termination Event means, with respect to a Pension Plan that is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of the Company or any other member of the Controlled Group from such Pension Plan during a plan year in which the Company or any other member of the Controlled Group was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA, (c) the termination of such Pension Plan, the filing of a notice of intent to terminate the Pension Plan or the treatment of an amendment of such Pension Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Pension Plan or (e) any event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Pension Plan.

Total Debt means all Debt of the Company and its Subsidiaries, determined on a consolidated basis (excluding (a) obligations in respect of Contingent Liabilities (except to the extent constituting Contingent Liabilities in respect of Debt of a Person other than any Loan Party), and (b) Hedging Obligations), minus the unencumbered cash and Cash Equivalent Investments of the Company and its

Subsidiaries at the time of determination. For the avoidance of doubt, Total Debt shall not include obligations of a Loan Party arising from surety bonds, performance bonds, bid bonds, or similar obligations.

Total Debt to EBITDA Ratio means, as of the last day of any Fiscal Quarter, the ratio of (a) Total Debt as of such day to (b) EBITDA for the Computation Period ending on such day.

Total Plan Liability means, at any time, the present value of all vested and unvested accrued benefits under all Pension Plans, determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

type - see Section 2.2.1.

UCC means the Uniform Commercial code as in effect from time to time in the Commonwealth of Pennsylvania.

Unfunded Liability means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Pension Plans exceeds the fair market value of all assets allocable to those benefits, all determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

Unmatured Event of Default means any event that, if it continues uncured, will, with lapse of time or notice or both, constitute an Event of Default.

USA Patriot Act shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

Venture shall mean at any time any domestic or non-domestic Person, venture or enterprise which is not a Subsidiary of the Company, but as to which (A) the Company or any one or more Subsidiaries of the Company directly or indirectly owns or controls an ownership, voting or other interest in excess of five percent of any such outstanding interests and (B) the Company materially participates in the management or operations thereof.

Withholding Certificate - see Section 7.6(d).

Wholly-Owned Subsidiary means, as to any Person, a Subsidiary all of the Capital Securities of which (except directors' qualifying Capital Securities) are at the time directly or indirectly owned by such Person and/or another Wholly-Owned Subsidiary of such Person.

1.2 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) Section, Annex, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”, and the word “through” means “to and including.”

(e) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms, and all covenants and other terms of this Agreement and the other Loan Documents shall each be given effect so that if a particular action or condition is expressly prohibited by any such covenant or other term, the fact that it would be expressly or impliedly permitted by another covenant or term, by an exception thereto, or be otherwise within the limitations thereof, shall not result in such action or condition being permissible.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Company, the Lenders and the other parties thereto and are the products of all parties. Accordingly, they shall not be construed against the Administrative Agent or the Lenders merely because of the Administrative Agent’s or Lenders’ involvement in their preparation.

SECTION 2 COMMITMENTS OF THE LENDERS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES.

2.1 Commitments.

On and subject to the terms and conditions of this Agreement, each of the Lenders, severally and for itself alone, agrees to make loans to, and to issue or participate in letters of credit for the account of, the Company as follows:

2.1.1 Revolving Loan Commitment.

Each Lender with a Revolving Commitment agrees to make loans in Dollars or an Alternate Currency on a revolving basis (“Revolving Loans”) from time to time until the Termination Date in such Lender’s Pro Rata Share of such aggregate amounts as the Company may request from all Lenders; provided that the Revolving Outstandings will not at any time exceed the Revolving Commitment (less the amount of any Swing Line Loans outstanding at such time) and provided that the aggregate Dollar Equivalent amount of all Loans denominated in an Alternate Currency shall not exceed \$20,000,000.

2.1.2 L/C Commitment.

Subject to Section 2.3.1, the Issuing Lender agrees to issue letters of credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to the Issuing Lender (each, a “Letter of Credit”), at the request of and for the account of the Company from time to time before the scheduled Termination Date and, as more fully set forth in Section 2.3.2, each Lender agrees to purchase a participation in each such Letter of Credit; provided that (a) the

aggregate Stated Amount of all Letters of Credit shall not at any time exceed \$100,000,000 and (b) the Revolving Outstandings shall not at any time exceed the Revolving Commitment (less the amount of any Swing Line Loans outstanding at such time).

2.1.3 The Term Loan Commitments.

Each Lender with a Term Loan Commitment agrees to make a Term Loan as set forth at Section 2.4 hereof.

2.2 Loan Procedures.

2.2.1 Various Types of Loans.

Each Revolving Loan shall be, and each Term Loan may be divided into tranches which are, either a Base Rate Loan or a LIBOR Loan (each a "type" of Loan), as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. LIBOR Loans having the same Interest Period and denominated in the same currency are sometimes called a "Group" or collectively "Groups". Base Rate Loans and LIBOR Loans may be outstanding at the same time, provided that not more than twelve (12) different Groups of LIBOR Loans shall be outstanding at any one time. All borrowings, conversions and repayments of Revolving Loans shall be effected so that each Lender will have a ratable share (according to its Pro Rata Share) of all types and Groups of Loans. Base Rate Loan shall be denominated solely in Dollars; LIBOR Loans may be denominated in Dollars or an Alternate Currency.

2.2.2 Borrowing Procedures.

The Company shall give written notice (each such written notice, a "Notice of Borrowing") substantially in the form of Exhibit E or telephonic notice (followed immediately by a Notice of Borrowing) (it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation) to the Administrative Agent of each proposed borrowing not later than (a) in the case of a Base Rate borrowing, 11:00 A.M., Pittsburgh time, on the proposed date of such borrowing, and (b) in the case of a LIBOR borrowing, 11:00 A.M., Pittsburgh time, at least three Business Days (or four Business Days in the case of a borrowing in an Alternate Currency) prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by the Administrative Agent, shall be irrevocable, and shall specify the date, amount (which shall be denominated in Dollars notwithstanding that the requested Loan may be advanced in an Alternate Currency) and type of borrowing and, in the case of a LIBOR borrowing, the currency and initial Interest Period therefor. Promptly upon receipt of such notice, the Administrative Agent shall advise each Lender thereof and, if a Loan is requested in an Alternate Currency, the amount thereof in such Alternate Currency. Not later than 1:00 P.M., Pittsburgh time, on the date of a proposed borrowing, each Lender shall provide the Administrative Agent at the office specified by the Administrative Agent with immediately available funds covering such Lender's Pro Rata Share of such borrowing in the currency requested and, so long as the Administrative Agent has not received written notice that the conditions precedent set forth in Section 11 with respect to such borrowing have not been satisfied, the Administrative Agent shall pay over the funds received by the Administrative Agent to the Company on the requested borrowing date. Each borrowing shall be on a Business Day. Each Base Rate borrowing shall be in an aggregate amount of at least \$1,000,000 and an integral multiple of at least \$500,000, and each LIBOR borrowing shall be in an aggregate amount of at least \$2,500,000 and an integral multiple of \$1,000,000. If the Company fails to specify in its Loan Request an Alternate Currency for the Loan requested thereby, the Company shall be deemed to have requested that such Loan be denominated in Dollars.

2.2.3 Conversion and Continuation Procedures.

(a) Subject to Section 2.2.1, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with clause (b) below:

(A) elect, as of any Business Day, to convert any Loans (or any part thereof in an aggregate Dollar Equivalent amount not less than \$2,500,000 or a higher integral multiple Dollar Equivalent of \$1,000,000) into Loans of the other type; or

(B) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Loans denominated in the same currency and having Interest Periods expiring on such day (or any part thereof in an aggregate Dollar Equivalent amount not less than \$2,500,000 or a higher integral multiple Dollar Equivalent of \$1,000,000) for a new Interest Period;

provided that after giving effect to any prepayment, conversion or continuation, the aggregate principal Dollar Equivalent amount of each Group of LIBOR Loans shall be at least \$2,500,000 and an integral multiple of the Dollar Equivalent of \$1,000,000.

(b) The Company shall give written notice (each such written notice, a “Notice of Conversion/Continuation”) substantially in the form of Exhibit F or telephonic notice (followed immediately by a Notice of Conversion/Continuation) (it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation) to the Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion into Base Rate Loans, 11:00 A.M., Pittsburgh time, on the proposed date of such conversion and (ii) in the case of conversion into or continuation of LIBOR Loans, 11:00 A.M., Pittsburgh time, at least three Business Days (or four Business Days in the case of a continuation of conversion relating to an Alternate Currency) prior to the proposed date of such conversion or continuation, specifying in each case:

(A) the proposed date of conversion or continuation;

(B) the aggregate Dollar Equivalent amount of Loans to be converted or continued;

(C) the type of Loans resulting from the proposed conversion or continuation; and

(D) in the case of conversion into, or continuation of, LIBOR Loans, the currency thereof and the duration of the requested Interest Period therefor.

(c) If upon the expiration of any Interest Period applicable to LIBOR Loans denominated in Dollars, the Company has failed to select timely a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to convert such LIBOR Loans into Base Rate Loans effective on the last day of such Interest Period; if upon the expiration of any Interest Period applicable to LIBOR Loans denominated in an Alternate Currency, the Company has failed to give timely notice of its selection of a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to continue such LIBOR Loans effective on the last day of such Interest Period for an additional one month Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a notice of conversion or continuation pursuant to this Section 2.2.3 or, if no timely notice is provided by the Company, of the details of any automatic conversion or continuation.

(e) Any conversion of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 8.4.

2.2.4 Swing Line Facility.

(a) The Administrative Agent shall notify the Swing Line Lender upon the Administrative Agent's receipt of any Notice of Borrowing. Subject to the terms and conditions hereof, the Swing Line Lender may, in its sole discretion, make available from time to time until the Termination Date advances (each, a "Swing Line Loan") in accordance with any such notice, notwithstanding that after making a requested Swing Line Loan, the sum of the Swing Line Lender's Pro Rata Share of the Revolving Outstandings and all outstanding Swing Line Loans, may exceed the Swing Line Lender's Pro Rata Share of the Revolving Commitment. The provisions of this Section 2.2.4 shall not relieve Lenders of their obligations to make Revolving Loans under Section 2.1.1; provided that if the Swing Line Lender makes a Swing Line Loan pursuant to any such notice, such Swing Line Loan shall be in lieu of any Revolving Loan that otherwise may be made by the Lenders pursuant to such notice. The aggregate amount of Swing Line Loans outstanding shall not exceed at any time Swing Line Availability. Until the Termination Date, the Company may from time to time borrow, repay and reborrow under this Section 2.2.4. Each Swing Line Loan shall be made pursuant to a Notice of Borrowing delivered by the Company to the Administrative Agent in accordance with Section 2.2.2. Any such notice must be given no later than 1:00 P.M., Pittsburgh time, on the Business Day of the proposed Swing Line Loan. Unless the Swing Line Lender has received at least one Business Day's prior written notice from Required Lenders instructing it not to make a Swing Line Loan, the Swing Line Lender shall, notwithstanding the failure of any condition precedent set forth in Section 12.2, be entitled to fund that Swing Line Loan, and to have such Lender make Revolving Loans in accordance with Section 2.2.4(c) or purchase participating interests in accordance with Section 2.2.4(d). Notwithstanding any other provision of this Agreement or the other Loan Documents, each Swing Line Loan shall constitute a Base Rate Loan. The Company shall repay the aggregate outstanding principal amount of each Swing Line Loan upon demand therefor by the Administrative Agent.

(b) The entire unpaid balance of each Swing Line Loan and all other noncontingent Obligations shall be immediately due and payable in full in immediately available funds on the Termination Date if not sooner paid in full.

(c) The Swing Line Lender, at any time and from time to time at the discretion of the Swing Line Lender, shall on behalf of the Company (and the Company hereby irrevocably authorizes the Swing Line Lender to so act on its behalf) request each Lender with a Revolving Commitment (including the Swing Line Lender) to make a Revolving Loan to the Company (which shall be a Base Rate Loan) in an amount equal to that Lender's Pro Rata Share of the principal amount of all Swing Line Loans (the "Refunded Swing Line Loan") outstanding on the date such notice is given. Unless any of the events described in Section 13.1.4 has occurred (in which event the procedures of Section 2.2.4(d) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Loan are then satisfied, each Lender shall disburse directly to the Administrative Agent, its Pro Rata Share on behalf of the Swing Line Lender, prior to 2:00 P.M., Pittsburgh time, in immediately available funds on the date that notice is given (provided that such notice is given by 12:00 p.m., Pittsburgh time, on such date). The proceeds of those Revolving Loans shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan.

(d) If, prior to refunding a Swing Line Loan with a Revolving Loan pursuant to Section 2.2.4(c), one of the events described in Section 13.1.4 has occurred, then, subject to the provisions of Section 2.2.4(e) below, each Lender shall, on the date such Revolving Loan was to have been made for the benefit of the Company, purchase from the Swing Line Lender an undivided participation interest in

the Swing Line Loan in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Lender shall promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation interest.

(e) Each Lender's obligation to make Revolving Loans in accordance with Section 2.2.4(c) and to purchase participation interests in accordance with Section 2.2.4(d) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Swing Line Lender, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Unmatured Event of Default or Event of Default; (iii) any inability of the Company to satisfy the conditions precedent to borrowing set forth in this Agreement at any time or (iv) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If and to the extent any Lender shall not have made such amount available to the Administrative Agent or the Swing Line Lender, as applicable, by 2:00 P.M., Pittsburgh time, the amount required pursuant to Sections 2.2.4(c) or 2.2.4(d), as the case may be, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, Pittsburgh time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the Swing Line Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect.

2.3 Letter of Credit Procedures.

2.3.1 L/C Applications.

The Company shall execute and deliver to the Issuing Lender its application and agreement for letters of credit as such Issuing Lender may use from time to time, provided, however, that in the event of an irreconcilable inconsistency between the terms or conditions of this Agreement and the terms or conditions of any such application and agreement, the terms and conditions of this Agreement shall control. The Company shall give notice to the Administrative Agent and the Issuing Lender of the proposed issuance of each Letter of Credit no later than 10:00 A.M. on the Business Day which is at least three Business Days or four Business Days in the case of a Letter of Credit to be denominated in an Alternate Currency or other non-Dollar currency (or such lesser number of days as the Administrative Agent and the Issuing Lender shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company and in all respects satisfactory to the Administrative Agent and the Issuing Lender, together with such other documentation as the Administrative Agent or the Issuing Lender may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than twenty (20) Business Days prior to the scheduled Termination Date (unless such Letter of Credit is Cash Collateralized)), whether such Letter of Credit is to be transferable in whole or in part and the currency in which the Letter of Credit is requested to be denominated which shall be either Dollars or a currency satisfactory to the Issuing Lender. Any Letter of Credit outstanding after the scheduled Termination Date which is Cash Collateralized for the benefit of the Issuing Lender shall after the scheduled Termination Date be the sole responsibility of the Issuing Lender. So long as the Issuing Lender has not received written notice that the conditions precedent set forth in Section 12 with respect to the issuance of such Letter of Credit have not been satisfied, the Issuing Lender shall issue such Letter of Credit on the requested issuance date. The Issuing Lender shall promptly advise the Administrative Agent of the issuance of each Letter of Credit, the

currency thereof, and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. In the event of any inconsistency between the terms of the Master Letter of Credit Agreement, any L/C Application and the terms of this Agreement, the terms of this Agreement shall control.

The Company may request the issuance of a Letter of Credit on behalf of itself or on behalf of any other Loan Party or Subsidiary of a Loan Party, provided that the Company is the account party thereon and provided further that notwithstanding that any letter of credit issued in connection herewith may state that it is issued on behalf of another Loan Party or Subsidiary of a Loan Party and notwithstanding that any application or agreement with respect to such a letter of credit is executed by a Loan Party or Subsidiary of a Loan Party, each such letter of credit is hereby deemed to be a Letter of Credit issued hereunder for the account of the Company and the Company is hereby deemed to be severally obligated on such application or agreement.

(a) Bank of America, N.A., as successor by merger to LaSalle and on its own behalf, agrees to continue outstanding until expiration each of the letters of credit issued by LaSalle and listed on Schedule 2.3 and to be an Issuing Lender hereunder with respect to such letters of credit and the renewal or extension of any such letter of credit in the event that the beneficiary thereof will not accept a replacement Letter of Credit issued by PNC, (b) JPMC agrees to continue outstanding until expiration each of the letters of credit issued by it and listed on Schedule 2.3 and to be an Issuing Lender hereunder with respect to such letters of credit and the renewal or extension of any such letter of credit in the event that the beneficiary thereof will not accept a replacement Letter of Credit issued by PNC. Each of the Company and Bank of America, N.A., will endeavor to have each letter of credit issued by LaSalle replaced by a Letter of Credit issued hereunder by PNC; and each of the Company and JPMC will endeavor to have each letter of credit issued by JPMC or its predecessor replaced by a Letter of Credit issued hereunder by PNC. All letters of credit outstanding under the Prior Credit Agreement and set forth on Schedule 2.3 issued by LaSalle or JPMC (and any of their respective predecessors), together with any amendments, renewals, and extensions thereof, shall be deemed to be and hereby are Letters of Credit under this Agreement as of the Closing Date and hereafter.

If from time to time on any date the aggregate Stated Amount of all Letters of Credit, in the equivalent amount of Dollars at exchange rates then prevailing and available to the Issuing Lender, exceed \$100,000,000 (such excess amount, calculated at any time and from time to time, being referred to herein as the "Exchange Rate L/C Excess Amount"), the Company shall thereupon provide Cash Collateral to the Administrative Agent for the benefit of the Issuing Lender and the Lenders (to be held in an interest-bearing account with the Administrative Agent) an amount equal to the Exchange Rate L/C Excess Amount, and the Company hereby pledges to the Administrative Agent for the benefit of the Issuing Lender and each Lender, and grants to the Administrative Agent for the benefit of the Issuing Lender and each Lender a security interest in, all such cash and the deposit account to which it is credited, and the proceeds thereof, as security for the Company's reimbursement obligations with respect to Letters of Credit. Unless an Event of Default has occurred and is continuing, the Administrative Agent shall return to the Company any amount of Cash Collateral which is in excess of the Exchange Rate L/C Excess Amount.

In the event that there occurs or arises a Defaulting Lender hereunder, each Issuing Lender, the Loan Parties and each other Lender will endeavor to enter into arrangements reasonably satisfactory to each Issuing Lender affected thereby to eliminate such Issuing Lender's risk with respect to such Defaulting Lender's obligations to the Issuing Lender hereunder; provided, however, that no Lender shall be obligated under any circumstance without its written agreement to increase its Pro Rata Share in any Letter of Credit.

2.3.2 Participations in Letters of Credit.

Concurrently with the issuance of each Letter of Credit and in connection with each Letter of Credit described on Schedule 2.3 and any extensions and renewals thereof and amendments thereto, the Issuing Lender shall be deemed to have sold and transferred to each Lender with a Revolving Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share, in such Letter of Credit and the Company's reimbursement obligations with respect thereto. If the Company does not pay any reimbursement obligation when due, the Company shall be deemed to have immediately requested that the Lenders make a Revolving Loan which is a Base Rate Loan in a principal amount equal to such reimbursement obligations. The Administrative Agent shall promptly notify such Lenders of such deemed request and, without the necessity of compliance with the requirements of Section 2.2.2, 12.2 or otherwise such Lender shall make available to the Administrative Agent its Pro Rata Share of such Loan. The proceeds of such Loan shall be paid over by the Administrative Agent to the Issuing Lender for the account of the Company in satisfaction of such reimbursement obligations. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the Issuing Lender's "participation" therein. The Issuing Lender hereby agrees, upon request of the Administrative Agent or any Lender, to deliver to the Administrative Agent or such Lender a list of all outstanding Letters of Credit issued by the Issuing Lender, together with such information related thereto as the Administrative Agent or such Lender may reasonably request.

2.3.3 Reimbursement Obligations.

(a) The Company hereby unconditionally and irrevocably agrees to reimburse the Issuing Lender for each payment or disbursement made by the Issuing Lender under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made and in an amount equal to the Dollar Equivalent of the amount of such payment or disbursement. Any amount not reimbursed on the date of such payment or disbursement shall bear interest from the date of such payment or disbursement to the date that the Issuing Lender is reimbursed by the Company therefor, payable on demand, at a rate per annum equal to the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect plus, beginning on the third Business Day after receipt of notice from the Issuing Lender of such payment or disbursement, 2%. The Issuing Lender shall notify the Company and the Administrative Agent whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided that the failure of the Issuing Lender to so notify the Company or the Administrative Agent shall not affect the rights of the Issuing Lender or the Lenders in any manner whatsoever.

(b) The Company's reimbursement obligations hereunder shall be irrevocable and unconditional under all circumstances, including (a) any lack of validity or enforceability of any Letter of Credit, this Agreement or any other Loan Document, (b) the existence of any claim, set-off, defense or other right which any Loan Party may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the Issuing Lender, any Lender or any other Person, whether in connection with any Letter of Credit, this Agreement, any other Loan Document, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between any Loan Party and the beneficiary named in any Letter of Credit), (c) the validity, sufficiency or genuineness of any document which the Issuing Lender has determined complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect, or (d) the surrender or impairment of any security for the performance or observance of any of the terms hereof.

Without limiting the foregoing, no action or omission whatsoever by the Administrative Agent or any Lender (excluding any Lender in its capacity as the Issuing Lender) under or in connection with any Letter of Credit or any related matters shall result in any liability of the Administrative Agent or any Lender to the Company, or relieve the Company of any of its obligations hereunder to any such Person.

2.3.4 Funding by Lenders to Issuing Lender.

If the Issuing Lender makes any payment or disbursement under any Letter of Credit and (a) the Company has not reimbursed the Issuing Lender in full for such payment or disbursement by 11:00 A.M., Pittsburgh time, on the date of such payment or disbursement, (b) a Revolving Loan may not be made in accordance with Section 2.3.2 or (c) any reimbursement received by the Issuing Lender from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Lender with a Revolving Commitment shall be irrevocably and unconditionally obligated (under all circumstances, including those described in clauses (a) through (d) in Section 2.3.3(b) above) to pay to the Administrative Agent for the account of the Issuing Lender, in full or partial payment of the purchase price of its participation in such Letter of Credit, its Pro Rata Share of the Dollar Equivalent of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and, upon notice from the Issuing Lender, the Administrative Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees to so pay to the Administrative Agent in immediately available funds for the Issuing Lender's account the amount of such other Lender's Pro Rata Share of the Dollar Equivalent of such payment or disbursement. If and to the extent any Lender shall not have made such amount available to the Administrative Agent by 2:00 P.M., Pittsburgh time, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, Pittsburgh time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the Issuing Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect. Any Lender's failure to make available to the Administrative Agent its Pro Rata Share of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Pro Rata Share of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's Pro Rata Share of any such payment or disbursement.

2.3.5 Indemnity.

The Borrower hereby agrees to protect, indemnify, pay and save harmless each Issuing Lender and any of its Affiliates that has issued a Letter of Credit from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Issuing Lender or any of its Affiliates may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Issuing Lender as determined by a final non-appealable judgment of a court of competent jurisdiction or (B) the wrongful dishonor by the Issuing Lender or any of Issuing Lender's Affiliates of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority.

2.3.6 Liability for Acts and Omissions.

As between any Loan Party and an Issuing Lender, or an Issuing Lender's Affiliates, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, each Issuing Lender shall not be responsible for any of the following, including any losses or damages to any Loan Party or other Person or property relating therefrom: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Issuing Lender or its Affiliates shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Issuing Lender or the its Affiliates, as applicable, including any act or omission of any governmental authority, and none of the above shall affect or impair, or prevent the vesting of, any of the Issuing Lender's or its Affiliates rights or powers hereunder. Nothing in the preceding sentence shall relieve the Issuing Lender from liability for the Issuing Lender's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall the Issuing Lender or its Affiliates be liable to any Loan Party for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, each Issuing Lender and each of its Affiliates (i) may rely on any oral or other communication believed in good faith by the Issuing Lender or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the Issuing Lender or its Affiliate; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on the Issuing Lender or its Affiliate in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "Order") and honor any drawing in connection with any Letter of Credit that is the subject of such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by an Issuing Lender or its Affiliates under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Issuing Lender or its Affiliates under any resulting liability to the Borrower or any Lender.

2.4 Term Loan Commitments.

Subject to the terms and conditions hereof, and relying upon the representations and warranties herein set forth, each Lender severally agrees to make a term loan (each, a “**Term Loan**”) to the Company on the Closing Date in such principal amount as the Company shall request up to, but not exceeding such Lender’s Term Loan Commitment. The Term Loan Commitments of the Lenders shall expire concurrently with the making of the Term Loans on the Closing Date.

2.5 Nature of Lenders’ Obligations with Respect to Term Loans; Repayment Terms.

The obligations of each Lender to make Term Loans to the Company shall be in the proportion that such Lender’s Term Loan Commitment bears to the Term Loan Commitments of all Lenders to the Company, but each Lender’s Term Loan to the Company shall never exceed its Term Loan Commitment. The failure of any Lender to make a Term Loan shall not relieve any other Lender of its obligations to make a Term Loan nor shall it impose any additional liability on any other Lender hereunder. The Lenders shall have no obligation to make Term Loans hereunder after the Closing Date. The Term Loan Commitments are not revolving credit commitments, and the Company shall not have the right to borrow, repay and reborrow Term Loans hereunder. The Term Loans shall be paid by the Company in installments of principal as set forth below, and each Lender making a Term Loan shall receive from the Company installments equal to such Lender’s Pro Rata Share of the following principal installments of the Term Loans:

[Term Loan installment payment schedule begins on the next page]

<u>Payment Date:</u>	<u>Principal Amount of Installment:</u>
January 1, 2009	\$ 7,500,000
April 1, 2009	\$ 7,500,000
July 1, 2009	\$ 7,500,000
October 1 2009	\$ 7,500,000
January 1, 2010	\$ 8,125,000
April 1, 2010	\$ 8,125,000
July 1, 2010	\$ 8,125,000
October 1 2010	\$ 8,125,000
January 1, 2011	\$ 10,000,000
April 1, 2011	\$ 10,000,000
July 1, 2011	\$ 10,000,000
October 1 2011	\$ 10,000,000
January 1, 2012	\$ 10,000,000
April 1, 2012	\$ 10,000,000
July 1, 2012	\$ 10,000,000
October 1 2012	\$ 10,000,000
January 1, 2013	\$ 57,500,000

(or all outstanding principal if not sooner paid)

2.6 Commitments Several.

The failure of any Lender to make a requested Loan on any date shall not relieve any other Lender of its obligation (if any) to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

2.7 Certain Conditions.

Notwithstanding any other provision of this Agreement (other than the provisions of Section 2.2.4), no Lender shall have an obligation to make any Loan, or to permit the continuation of or any conversion into any LIBOR Loan, and the Issuing Lender shall not have any obligation to issue any Letter of Credit, if an Event of Default or Unmatured Event of Default exists.

SECTION 3 EVIDENCING OF LOANS.

3.1 Notes.

The Obligation of the Company to repay the aggregate unpaid principal amount of the Revolving Loans, Swing Line Loans, and Term Loans made to it by each Lender, together with interest thereon, shall be evidenced respectively by a Revolving Note, a Swing Line Note and a Term Note, dated the Closing Date (or the date of the issuance of any replacement note in connection with an permitted assignment of Loans hereunder) payable to the order of such Lender in a face amount equal to the Revolving Commitment, Swing Line Loan Commitment or Term Loan Commitment, as applicable, of such Lender.

3.2 Recordkeeping.

The Administrative Agent, on behalf of each Lender, shall record in its records, the date and amount of each Loan made by each Lender, each repayment or conversion thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be presumptive evidence of the principal amount of the Loans owing and unpaid. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the Obligations of the Company hereunder or under any Note to repay the principal amount of the Loans hereunder, together with all interest accruing thereon.

SECTION 4 INTEREST.

4.1 Interest Rates.

The Company promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full as follows:

(a) at all times while such Loan is a Base Rate Loan, at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans, from time to time in effect; and

(b) at all times while such Loan is a LIBOR Loan, at a rate per annum equal to the sum of the LIBOR Rate applicable to each Interest Period for such Loan plus the Applicable Margin for LIBOR Loans, from time to time in effect;

provided that at any time an Event of Default exists, unless the Required Lenders otherwise consent, the interest rate applicable to each Loan, the Standby L/C Fee Rate, and the Commercial L/C Fee Rate shall each be increased by 2% (and, in the case of Obligations not bearing interest or subject to a Letter of Credit rate and to the extent permitted by Law, such Obligations shall bear interest at the Base Rate applicable to Revolving Loans plus 2%), provided further that such increase may thereafter be rescinded by the Required Lenders, notwithstanding Section 15.1. Notwithstanding the foregoing, upon the occurrence of an Event of Default under Section 13.1.1 or 13.1.4, such increase shall occur automatically.

4.2 Interest Payment Dates, Currency.

Accrued interest on each Base Rate Loan shall be payable in arrears on the first day of each calendar quarter and at maturity. Accrued interest on each LIBOR Loan shall be payable on the last day of each Interest Period relating to such Loan (and, in the case of a LIBOR Loan with an Interest Period in excess of three months, on each three-month anniversary of the first day of such Interest Period), upon a

prepayment of such Loan, and at maturity. After maturity, and at any time an Event of Default exists, accrued interest on all Loans shall be payable on demand. All payments of interest on Loans outstanding in an Alternate Currency shall be paid in that Alternate Currency.

4.3 Setting and Notice of LIBOR Rates.

The applicable LIBOR Rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender. Each determination of the applicable LIBOR Rate by the Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Administrative Agent shall, upon written request of the Company or any Lender, deliver to the Company or such Lender a statement showing the computations used by the Administrative Agent in determining any applicable LIBOR Rate hereunder.

4.4 Computation of Interest.

Interest on Loans subject to the LIBOR Rate shall be computed for the actual number of days elapsed on the basis of a year of 360 days; provided that, for Revolving Loans denominated in an Alternate Currency for which a 365-day basis is the only market practice available, interest shall be calculated on the basis of a year of 365 days or on the basis of a year of 365 or 366 days, as the case may be to reflect the relevant market practice. Interest on Loans subject to the Base Rate shall be computed on the basis of a year of 365 or 366 days, as the case may be. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate. During the continuation of an Event of Default, each LIBOR Loan (other than a LIBOR Loan denominated in an Alternate Currency) shall convert to a Base Rate Loan upon the last day of the Interest Period applicable thereto.

SECTION 5 FEES.

5.1 Commitment Fee.

The Company agrees to pay to the Administrative Agent, for the account of each Lender according to its Pro Rata Share, a nonrefundable commitment fee (the "Commitment Fee"), for the period from the Closing Date to the Termination Date, at the applicable Commitment Fee Rate in effect from time to time, times the daily difference between the amount of (i) the Revolving Commitments and the (ii) the Revolving Outstandings. Such Commitment Fee shall be payable in arrears on the first day of each calendar quarter and on the Termination Date for any period then ending for which such Commitment Fee shall not have previously been paid. The Commitment Fee shall be computed for the actual number of days elapsed on the basis of a year of 360 days; provided, however, that any Commitment Fee accrued with respect to the Revolving Commitment of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Company so long as such Lender shall be a Defaulting Lender except to the extent that such Commitment Fee shall otherwise have been due and payable by the Company prior to such time; and provided further that no Commitment Fee shall accrue on the Revolving Commitment of a Defaulting Lender so long as such Lender shall be a Defaulting Lender.

5.2 Letter of Credit Fees.

(a) The Company agrees to pay to the Administrative Agent for the account of each Lender (i) with respect to Commercial Letters of Credit, a nonrefundable fee (the "Commercial Letter of Credit Fee") equal to the basis points per annum at the Commercial L/C Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the undrawn Dollar Equivalent (which

shall be calculated by Administrative Agent on the basis of reasonable assumptions) amount of such Letters of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days) and (ii) with respect to Standby Letters of Credit, a nonrefundable fee (the "Standby Letter of Credit Fee") equal to the basis points per annum at the Standby L/C Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the undrawn Dollar Equivalent (which shall be calculated by Administrative Agent on the basis of reasonable assumptions) amount of such Letters of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days); provided that, unless the Required Lenders otherwise consent, the rate applicable to each Letter of Credit shall be increased by 2% at any time that an Event of Default exists. Such letter of credit fees shall be payable in arrears on the first day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

(b) In addition, with respect to each Letter of Credit, the Company agrees to pay to each Issuing Lender, for its own account, with respect to each Letter of Credit respectively issued by such Issuing Lender (i) such fees and expenses as the Issuing Lender customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a letter of credit fronting fee equal to one-eighth of one percent (0.125%) per annum (computed on the basis of a year of 360 days and actual days elapsed) computed on the daily average Stated Amount of Standby Letters of Credit outstanding and payable in arrears on the first day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

5.3 Administrative Agent's Fees.

The Company agrees to pay to the Administrative Agent and PNC Capital Markets LLC such fees as are mutually agreed to from time to time by the Company and the Administrative Agent or PNC Capital Markets LLC, as the case may be, including the fees set forth in the Agent Fee Letter.

SECTION 6 REDUCTION, INCREASE, OR TERMINATION OF THE REVOLVING COMMITMENT; PREPAYMENTS.

6.1 Reduction or Termination of the Revolving Commitment.

6.1.1 Voluntary Reduction or Termination of the Revolving Commitment.

The Company may from time to time on at least five Business Days' prior written notice received by the Administrative Agent (which shall advise each Lender thereof) permanently reduce the Revolving Commitment to an amount not less than the Revolving Outstandings plus the outstanding amount of all Swing Line Loans. Any such reduction shall be in an amount not less than an integral multiple of \$1,000,000. Concurrently with any reduction of the Revolving Commitment to zero, the Company shall pay all interest on the Revolving Loans, all Commitment Fees and all letter of credit fees and shall Cash Collateralize in full all obligations arising with respect to the Letters of Credit.

6.1.2 [Reserved]

6.1.3 All Reductions of the Revolving Commitment.

All reductions of the Revolving Commitment shall reduce the Revolving Commitments ratably among the Lenders according to their respective Pro Rata Shares.

6.2 Prepayments.

6.2.1 Prepayments.

(a) The Company may from time to time voluntarily prepay the Loans in whole or in part; provided that the Company shall give the Administrative Agent (which shall promptly advise each Lender) notice thereof not later than 11:00 A.M., Pittsburgh time, at least one Business Day (or four Business Days in the case of a repayment of a Loan that was made in an Alternate Currency) prior to the day of such prepayment (which shall be a Business Day) or no later than 11:00 A.M., Pittsburgh time, on the date of prepayment of Swing Line Loans, indicating the application of the prepayment between the Revolving Loans and Term Loans and Swing Line Loans and specifying the Loans to be prepaid and the currency, date and amount of prepayment. Any such partial prepayment shall be in an amount equal to an integral multiple of the Dollar Equivalent of \$1,000,000 and all prepayments of LIBOR Loans shall be subject to the terms of Section 8.4. All prepayment notices shall be irrevocable.

(b) The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. All Term Loan voluntary and mandatory prepayments shall be applied to the unpaid installments of principal of the Term Loans in the inverse order of scheduled maturities.

(c) Except as otherwise expressly provided herein, if the Company prepays a Loan but fails to specify the applicable type or Group which the Company is prepaying, the prepayment shall be applied (i) first to Term Loans and then to Revolving Loans; and (ii) after giving effect to the allocations in clause (i) above and in the preceding sentence, first to Base Rate Loans, then to LIBOR Loans. Any prepayment hereunder shall be subject to the Company's Obligation to indemnify the Lenders under Section 8.4.

6.2.2 Mandatory Prepayment.

(a) Upon Significant Disposition.

Within one-hundred eighty (180) days of an Asset Disposition, the incurrence or issuance of Debt in excess of \$50,000,000 or an Equity Disposition and within two hundred seventy (270) days of a Casualty Disposition, the Company shall first prepay the principal amount of the Term Loans until paid, second the principal amount of the Revolving Loans outstanding and third Cash Collateralize the Stated Amount of all Letters of Credit (in the order and manner set forth below in Section 6.2.2(b)) in an aggregate amount equal to the Significant Disposition Amount (if any), provided, however, that the Stated Amount of all Letters of Credit shall be required to be Cash Collateralized only if the Stated Amount of all Letters of Credit (minus any Cash Collateral held by the Administrative Agent therefor) is in excess of \$50,000,000 (and only to the extent of such excess) and if the Total Debt to EBITDA Ratio as of the last day of the most recent previous Computation Period is greater than 2.50 to 1.00; but provided, further, that if at any time thereafter, up to that date which is 365 days after the Significant Disposition, the Stated Amount of all Letters of Credit (minus any Cash Collateral held by the Administrative Agent therefor)

exceeds \$50,000,000 and the Total Debt to EBITDA Ratio as of the last day of the most recent previous Computation Period exceeds 2.50 to 1.00, then the Stated Amount of all Letters of Credit (minus any Cash Collateral held by the Administrative Agent therefor) in excess of \$50,000,000 shall be Cash Collateralized with that portion of the Significant Disposition Amount which was not at any such time or times applied as a prepayment of the Revolving Loans. Any prepayment hereunder shall be subject to the Company's obligation to indemnify the Lenders under Section 8.4.

(b) Application Among Loans and Interest Rate Options; Cash Collateral Under Certain Circumstances.

All prepayments and cash collateral required pursuant to this Section 6.2.2 shall: (a) first be applied to prepay Term Loans by application to the unpaid installments of principal in the inverse order of scheduled maturities and, as among such Term Loans outstanding, first to the principal amount of the Term Loans subject to the Base Rate, then to Term Loans subject to the LIBOR Rate, (b) second be applied to prepay Revolving Loans and, as among the Revolving Loans, first to the principal amount of the Revolving Loans subject to the Base Rate, then to Revolving Loans subject to the LIBOR Rate and then to prepay Swing Line Loans; and (c) next be deposited by the Company in a non-interest bearing account with the Administrative Agent, as Cash Collateral for the Stated Amount of all Letters of Credit, and the Company hereby pledges to the Administrative Agent and the Lenders, and grants to the Administrative Agent and the Lenders a security interest in, all such cash and deposits as security for all Obligations. Upon and to the extent of the expiration of, or the payment by the Company (by way of Revolving Loans or otherwise) of the reimbursement obligations relating to, Letters of Credit that are Cash Collateralized pursuant to this Section 6.2.2(b), or at any time that the Stated Amount of all Letters of Credit (minus any Cash Collateral held by the Administrative Agent therefor and not released pursuant to the terms hereof) does not exceed \$50,000,000, such Cash Collateral shall to such extent be released and returned to the Company upon its request except to the extent any such Cash Collateral has been utilized to pay any such reimbursement obligations. In addition, in the event at any time that the Total Debt to EBITDA Ratio as of the last day of the most recent previous Computation Period does not exceed 2.50 to 1.00, all Cash Collateral shall be released and returned to the Company upon its request except to the extent any such Cash Collateral has been utilized to pay any such reimbursement obligations.

(c) Mandatory Prepayments Due to Currency Fluctuations.

If, upon the earlier of the last day of an Interest Period or the first Business Day of any calendar quarter, the amount of the Revolving Outstandings (minus any Cash Collateral provided in regard to Letters of Credit) is greater than 100% of the Revolving Commitments as a result of a fluctuation in exchange rates between the Alternate Currency and Dollars, then the Company shall pay or prepay Revolving Loans (subject to the Company's indemnity obligations under Section 8.4) and Cash Collateralize the outstanding Letters of Credit on such day to such an extent that the Revolving Outstandings shall not exceed the Revolving Commitments after giving effect to such payments or prepayments.

(d) If, on any day, the Revolving Outstandings plus the outstanding amount of the Swing Line Loan exceeds the Revolving Commitment, the Company shall immediately prepay Revolving Loans or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to eliminate such excess.

6.3 Manner of Prepayments.

6.3.1 All Prepayments.

Each voluntary partial prepayment shall be in a principal Dollar Equivalent amount of \$1,000,000 or a higher integral multiple Dollar Equivalent of \$500,000. Any partial prepayment of a Group of LIBOR Loans shall be subject to the proviso to Section 2.2.3(a). Any prepayment of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4. Except as otherwise provided by this Agreement, all principal payments in respect of the Loans (other than the Swing Line Loans) shall be applied to payment of the principal amount of the Term Loans by application to the unpaid installments of principal in the inverse order of scheduled maturities and to repay outstanding Base Rate Loans and then to repay outstanding LIBOR Rate Loans in direct order of Interest Period maturities. All prepayments of Loans outstanding in an Alternate Currency shall be paid in that Alternate Currency and any prepayment made in an Alternate Currency shall be first applied to Revolving Loans outstanding in such currency.

6.4 Repayments.

The Revolving Loans of each Lender shall be paid in full in the currency in which such Loans were advanced and the Revolving Commitment shall terminate on the Termination Date.

6.5 Increase in Revolving Commitments.

(a) Increasing Lenders and New Lenders. The Company may, at any time in consultation with the Administrative Agent, request that (1) the current Lenders increase their Revolving Commitments (any current Lender which elects to increase its Revolving Commitment shall be referred to as an “Increasing Lender”) or (2) one or more new lenders (each a “New Lender”) join this Agreement and provide a Revolving Commitment hereunder, subject to the following terms and conditions:

(i) No Obligation to Increase. No current Lender shall be obligated to increase its Revolving Commitment and any increase in the Revolving Commitment by any current Lender shall be in the sole discretion of such current Lender.

(ii) Defaults. There shall exist no Event of Default or Unmatured Event of Default on the effective date of such increase after giving effect to such increase.

(iii) Aggregate Revolving Commitments. After giving effect to such increase, the total Revolving Commitments shall not exceed \$450,000,000.

(iv) Minimum Revolving Commitments. After giving effect to such increase, the amount of the Revolving Commitments provided by the New Lenders and the Increasing Lenders shall be at least \$50,000,000 in the aggregate; and

(v) Resolutions; Opinion. The Loan Parties shall deliver to the Administrative Agent on or before the effective date of such increase the following documents in a form reasonably acceptable to the Administrative Agent: (1) certifications of their corporate secretaries with attached resolutions certifying that the increase in the Revolving Commitment has been approved by such Loan Parties, and (2) an opinion of counsel addressed to the Administrative Agent and the Lenders addressing the authorization and execution of the Loan Documents by, and enforceability of the Loan Documents against, the Loan Parties.

(vi) Notes. The Company shall execute and deliver (1) to each Increasing Lender a replacement Revolving Note reflecting the new amount of such Increasing Lender's Revolving Commitment after giving effect to the increase (and the prior Note issued to such Increasing Lender shall be deemed to be cancelled and shall be promptly returned to the Company) and (2) to each New Lender a Revolving Note reflecting the amount of such New Lender's Revolving Commitment.

(vii) Approval of New Lenders. Any New Lender shall be subject to the approval of the Administrative Agent and each Issuing Lender (which approval shall not be unreasonably withheld, conditioned, or delayed).

(viii) Increasing Lenders. Each Increasing Lender shall confirm its agreement to increase its Revolving Commitment pursuant to an acknowledgement in a form reasonably acceptable to the Administrative Agent, signed by it and the Company and delivered to the Administrative Agent at least five (5) days before the effective date of such increase.

(ix) New Lenders—Joinder. Each New Lender shall execute a lender joinder in substantially the form of Exhibit C pursuant to which such New Lender shall join and become a party to this Agreement and the other Loan Documents with a Revolving Commitment in the amount set forth in such lender joinder.

(b) Treatment of Outstanding Loans and Letters of Credit.

(i) Repayment of Outstanding Loans; Borrowing of New Loans. On the effective date of such increase, the Company shall repay all Loans then outstanding, subject to the Company's indemnity obligations under Section 8.4; provided that it may borrow new Loans with a Borrowing Date on such date. Each of the Lenders (including New Lenders and Increasing Lenders) shall participate in any new Loans made on or after such date in accordance with their respective Pro Rata Shares after giving effect to the increase in Revolving Commitments contemplated by this Section.

(ii) Outstanding Letters of Credit. Repayment of Outstanding Loans; Borrowing of New Loans. On the effective date of such increase, each Increasing Lender and each New Lender (i) will be deemed to have purchased a participation in each then outstanding Letter of Credit equal to its Pro Rata Share of such Letter of Credit and the participation of each other Lender in such Letter of Credit shall be adjusted accordingly and (ii) will acquire, (and will pay to the Administrative Agent, for the account of each Lender, in immediately available funds, an amount equal to) its Pro Rata Share of all outstanding participation payments made pursuant to Section 2.3, including Section 2.3.4.

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments.

All payments of principal or interest on the Notes, and of all fees, shall be made by the Company to the Administrative Agent in Dollars (except that Loans made in an Alternate Currency and the interest thereon shall be paid in such Alternate Currency) in immediately available funds at the office specified by the Administrative Agent not later than noon, Pittsburgh time, on the date due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day. The Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender. All payments under Section 8.1 shall be made by the Company directly to the Lender entitled thereto without setoff, counterclaim or other defense.

7.2 Application of Certain Payments.

So long as no Unmatured Event of Default or Event of Default has occurred and is continuing, voluntary and mandatory prepayments shall be applied as set forth in Sections 6.2 and 6.3. After the occurrence and during the continuance of an Unmatured Event of Default or Event of Default, all amounts collected or received by the Administrative Agent or any Lender as proceeds from the sale of, or other realization upon, all or any part of the collateral (if any) shall be applied as the Administrative Agent shall determine in its reasonable discretion. Concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment.

7.3 Due Date Extension.

If any payment of principal or interest with respect to any of the Loans, or of any fees, falls due on a day which is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a LIBOR Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such due date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.4 Setoff.

The Company agrees that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable Law, and in addition thereto, the Company agrees that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any Obligations of the Company hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company then or thereafter with the Administrative Agent or such Lender.

7.5 Proration of Payments.

If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, on account of (a) principal of or interest on any Loan, but excluding (i) any payment pursuant to Section 8.7 or 15.6 and (ii) payments of interest on any Affected Loan) or (b) its participation in any Letter of Credit) in excess of its applicable Pro Rata Share of payments and other recoveries obtained by all Lenders on account of principal of and interest on the Loans (or such participation) then held by them, then such Lender shall purchase from the other Lenders such participations in the Loans (or sub-participations in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Lender that fails at any time to comply with the provisions of the foregoing paragraph of this Section 7.5 with respect to purchasing participations from the other Lenders whereby such Lender's share of any payment received, whether by setoff or otherwise, is in excess of its Pro Rata Share of such payments due and payable to all of the Lenders, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Lender") and shall be deemed a Delinquent Lender until such time as each such delinquency and all of its obligations hereunder are satisfied. A Delinquent Lender shall be deemed to have assigned any and all payments due to it from the Company, whether on account of or relating to outstanding Loans, Letters of Credit, Swing Line Loans, interest, fees

or otherwise, to the remaining nondelinquent Lenders for application to, and reduction of, their respective Pro Rata Shares of all outstanding Loans and other unpaid Obligations of any of the Loan Parties. The Delinquent Lender hereby authorizes the Administrative Agent to distribute such payments to the nondelinquent Lenders in proportion to their respective pro rata shares of all outstanding Loans and other unpaid Obligations of any of the Loan Parties. A Delinquent Lender shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans and other unpaid Obligations of any of the Loan Parties to the nondelinquent Lenders, the Lenders' respective pro rata shares of all outstanding Loans and unpaid Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

7.6 Taxes.

(a) All payments made by the Company hereunder or under any Loan Documents shall be made without setoff, counterclaim, or other defense. To the extent permitted by applicable Law, all payments hereunder or under the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any person shall be made by the Company free and clear of and without deduction or withholding for, or account of, any Taxes now or hereinafter imposed by any taxing authority.

(b) If the Company makes any payment hereunder or under any Loan Document in respect of which it is required by applicable Law to deduct or withhold any Taxes, the Company shall increase the payment hereunder or under any such Loan Document such that after the reduction for the amount of Taxes withheld (and any taxes withheld or imposed with respect to the additional payments required under this Section 7.6(b)), the amount paid to the Lenders or the Administrative Agent equals the amount that was payable hereunder or under any such Loan Document without regard to this Section 7.6(b). To the extent the Company withholds any Taxes on payments hereunder or under any Loan Document, the Company shall pay the full amount deducted to the relevant taxing authority within the time allowed for payment under applicable Law and shall deliver to the Administrative Agent within 30 days after it has made payment to such authority a receipt issued by such authority (or other evidence satisfactory to the Administrative Agent) evidencing the payment of all amounts so required to be deducted or withheld from such payment.

(c) If any Lender or the Administrative Agent is required by Law to make any payments of any Taxes on or in relation to any amounts received or receivable hereunder or under any other Loan Document, or any Tax is assessed against a Lender or the Administrative Agent with respect to amounts received or receivable hereunder or under any other Loan Document, the Company will indemnify such person against (i) such Tax (and any reasonable counsel fees and expenses associated with such Tax) and (ii) any taxes imposed as a result of the receipt of the payment under this Section 7.6(c). A certificate prepared in good faith as to the amount of such payment by such Lender or the Administrative Agent shall, absent manifest error, be final, conclusive, and binding on all parties.

(d) (i) Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States of America or a state thereof (and, upon the written request of the Administrative Agent, each other Lender or assignee or participant of a Lender) agrees that it will deliver to each of the Company and the Administrative Agent two (2) duly completed appropriate valid Withholding Certificates (as defined under § 1.1441-1(c)(16) of the Income Tax Regulations (the "Regulations")) certifying its status (i.e. U.S. or foreign person) and, if appropriate, making a claim of reduced, or exemption from, U.S. withholding tax on the basis of an income tax treaty or an exemption provided by the Internal Revenue Code. The term "Withholding Certificate" means a Form W-9; a Form W-8BEN; a Form W-8ECI; a Form W-8IMY and the related statements and certifications as required under § 1.1441-1(e)(2) and/or (3) of the Regulations; a statement described in § 1.871-14(c)(2)(v) of the

Regulations; or any other certificates under the Internal Revenue Code or Regulations that certify or establish the status of a payee or beneficial owner as a U.S. or foreign person. Each Lender, assignee or participant required or requested hereunder to deliver to the Company and the Administrative Agent a Withholding Certificate pursuant to the first sentence above shall deliver such valid Withholding Certificate as follows: (A) each Lender which is a party hereto on the Closing Date shall deliver such valid Withholding Certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by any Loan Party hereunder for the account of such Lender; (B) each assignee or participant shall deliver such valid Withholding Certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Administrative Agent in its sole discretion shall permit such assignee or participant to deliver such valid Withholding Certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Administrative Agent). Each Lender, assignee or participant which so delivers a valid Withholding Certificate further undertakes to deliver to each of the Company and the Administrative Agent two (2) additional copies of such Withholding Certificate (or a successor form) on or before the date that such Withholding Certificate expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent Withholding Certificate so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent. Notwithstanding the submission of a Withholding Certificate claiming a reduced rate of or exemption from U.S. withholding tax, the Administrative Agent shall be entitled to withhold United States federal income taxes at the full 30% withholding rate if in its reasonable judgment it is required to do so under the due diligence requirements imposed upon a withholding agent under § 1.1441-7(b) of the Regulations. Further, the Agent is indemnified under § 1.1461-1(e) of the Regulations against any claims and demands of any Lender or assignee or participant of a Lender for the amount of any tax it deducts and withholds in accordance with regulations under § 1441 of the Internal Revenue Code.

(ii) To the extent not address by the foregoing clause (i) above, each Lender that is not a Non-U.S. Participant (other than any such Lender which is taxed as a corporation for U.S. federal income tax purposes) shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to the Company and the Administrative Agent certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section 7.6(d)(ii) is rendered obsolete or inaccurate in any material respect as result of a change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable Law, deliver to the Company and the Administrative Agent revised forms necessary to confirm or establish the entitlement to such Lender's or Agent's exemption from United States backup withholding tax.

(iii) The Company shall not be required to pay additional amounts to a Lender, or indemnify any Lender, under this Section 7.6 to the extent that such obligations would not have arisen but for the failure of such Lender to comply with Section 7.6(d).

(iv) Each Lender agrees to indemnify the Administrative Agent and hold the Administrative Agent harmless for the full amount of any and all present or future Taxes and related liabilities (including penalties, interest, additions to tax and expenses, and any Taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this Section 7.6) which are imposed on or with respect to principal, interest or fees payable to such Lender hereunder and which are not paid by the Company pursuant to this Section 7.6, whether or not such Taxes or related liabilities were correctly or legally asserted. This indemnification shall be made within 30 days from the date the Administrative Agent makes written demand therefor.

7.7 Alternate Currency Repayments.

Notwithstanding anything contained herein to the contrary, the entire amount of principal of and interest on any Revolving Loan made in an Alternate Currency shall be repaid in the same Alternate Currency in which such Loan was made, provided, however, that if it is impossible or illegal for the Company to effect payment of a Revolving Loan in the Alternate Currency in which such Loan was made, the Company may at its option after reasonable notice to the Administrative Agent make such payment to be made (i) at and to a different location, subsidiary, affiliate or correspondent of Administrative Agent, or (ii) in the Dollar Equivalent amount of Dollars, or (iii) in an equivalent amount (as determined by Administrative Agent in its reasonable discretion) of such other currency (freely convertible into Dollars) as the Required Lenders may solely at their option designate. Upon any events described in (i) through (iii) of the preceding sentence, the Company shall make such payment and the Company agrees to hold each Lender harmless from and against any loss incurred by any Lender arising from the cost to such Lender of any premium, any costs of exchange, the cost of hedging and covering the Alternate Currency in which such Loan was originally made, and from any change in the value of Dollars, or such other currency, in relation to the Alternate Currency that was due and owing. Such loss shall be calculated for the period commencing with the first day of the Interest Period for such Loan and continuing through the date of payment thereof. Without prejudice to the survival of any other agreement of the Company hereunder, the Company's obligations under this Section shall survive termination of this Agreement.

7.8 Alternate Currency Amounts—Rounding.

Notwithstanding anything contained herein to the contrary, Administrative Agent may, with respect to requests by the Company for Revolving Loans in an Alternate Currency or prepayments of less than the full amount of a Revolving Loan denominated in an Alternate Currency, engage in reasonable rounding of the Alternate Currency amounts requested to be loaned or repaid; and, in such event, Administrative Agent shall notify the Company and the Lenders of such rounded amounts and the Company's request or notice shall thereby be deemed to reflect such rounded amounts.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR LIBOR LOANS.

8.1 Increased Costs.

(a) If, after the date hereof, the adoption of, or any change in, any applicable Law, rule or regulation, or any change in the interpretation or administration of any applicable Law, rule or regulation by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of Law) of any such authority, central bank or comparable agency: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBOR Rate pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender; or (ii) shall impose on any Lender any other condition affecting its LIBOR Loans, its Note or its obligation to make LIBOR Loans; and the result of anything described in clauses (i) and (ii) above is to increase the cost to (or to impose a cost on) such Lender (or any LIBOR Office of such Lender) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by such Lender (or its LIBOR Office) under this Agreement or under its Note with respect thereto, then upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

(b) If any Lender shall reasonably determine that any change in, or the adoption or phase-in of, any applicable Law, rule or regulation regarding capital adequacy, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or the compliance by any Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of Law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or such controlling Person's capital as a consequence of such Lender's obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such change, adoption, phase-in or compliance (taking into consideration such Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay to such Lender such additional amount as will compensate such Lender or such controlling Person for such reduction so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

8.2 Basis for Determining Interest Rate Inadequate or Unfair.

If

(a) the Administrative Agent reasonably determines (which determination shall be binding and conclusive on the Company) that by reason of circumstances affecting the interbank LIBOR market adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate; or

(b) the Required Lenders advise the Administrative Agent that the LIBOR Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of maintaining or funding LIBOR Loans for such Interest Period (taking into account any amount to which such Lenders may be entitled under Section 8.1) or that the making or funding of LIBOR Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Lenders materially affects such Loans;

then the Administrative Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue, (i) no Lender shall be under any obligation to make or convert any Base Rate Loans into LIBOR Loans and (ii) on the last day of the current Interest Period for each LIBOR Loan, such Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan, provided that any LIBOR Loan denominated in an Alternate Currency shall be repaid in full.

8.3 Changes in Law Rendering LIBOR Loans Unlawful.

If any change in or the adoption of any new Law or regulation, or any change in the interpretation of any applicable Law or regulation by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful for any Lender to make, maintain or fund LIBOR Loans, then such Lender shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue, (a) such Lender shall have no obligation to make or convert any Base Rate Loan into a LIBOR Loan (but shall make Base Rate Loans concurrently with the making of or conversion of Base Rate Loans

into LIBOR Loans by the Lenders which are not so affected, in each case in an amount equal to the amount of LIBOR Loans which would be made or converted into by such Lender at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each LIBOR Loan of such Lender (or, in any event, on such earlier date as may be required by the relevant Law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan, provided that any LIBOR Loan denominated in an Alternate Currency shall be repaid in full. Each Base Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a LIBOR Loan (an "Affected Loan") shall remain outstanding for the period corresponding to the Group of LIBOR Loans of which such Affected Loan would be a part absent such circumstances.

8.4 Funding Losses.

The Company hereby agrees that upon demand by any Lender (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to the Administrative Agent), the Company will indemnify such Lender against any net loss or expense which such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any LIBOR Loan), as reasonably determined by such Lender, as a result of (a) any payment, prepayment or conversion of any LIBOR Loan of such Lender on a date other than the last day of an Interest Period for such Loan (including any conversion pursuant to Section 8.3) or (b) any failure of the Company to borrow, convert or continue any Loan on a date specified therefor in a notice of borrowing, conversion or continuation pursuant to this Agreement. For this purpose, all such notices to the Administrative Agent pursuant to this Agreement shall be deemed to be irrevocable.

8.5 Right of Lenders to Fund through Other Offices.

Each Lender may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of such Lender to make such Loan; provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Lender and the obligation of the Company to repay such Loan shall nevertheless be to such Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

8.6 Discretion of Lenders as to Manner of Funding.

Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each LIBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the LIBOR Rate for such Interest Period.

8.7 Mitigation of Circumstances; Replacement of Lenders.

(a) Each Lender shall promptly notify the Company and the Administrative Agent of any event which the Lender has determined will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's sole judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or (ii) the occurrence of any circumstances described in Section 8.2 or 8.3 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Company and the Administrative Agent). Without limiting the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Company of) any event described in clause (i) or (ii) above and such designation will not, in such Lender's sole judgment, be otherwise disadvantageous to such Lender.

(b) If the Company becomes obligated to pay additional amounts to any Lender pursuant to Section 7.6 or 8.1, or any Lender gives notice of the occurrence of any circumstances described in Section 8.2 or 8.3, or any Lender is a Defaulting Lender, or any Lender does not agree to an amendment, waiver, consent, or modification to this Agreement or the other Loan Documents as to which the Required Lenders shall have agreed, then the Company may designate another financial institution which is acceptable to the Administrative Agent and the Issuing Lenders in their reasonable discretion (such other bank being called a "Replacement Lender") to purchase the Loans of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and such Lender shall sell and assign all of its Loans and other rights and obligations under this Agreement to the Replacement Lender and, upon such purchase and assumption by the Replacement Lender (pursuant to an Assignment Agreement), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to the Company hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

8.8 Conclusiveness of Statements; Survival of Provisions.

Determinations and statements of any Lender pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lenders may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Obligations, cancellation of any Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

SECTION 9 REPRESENTATIONS AND WARRANTIES.

To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Loans and issue and participate in Letters of Credit hereunder, each of the Loan Parties represents and warrants to the Administrative Agent and the Lenders that:

9.1 Organization.

Each Loan Party is validly existing and in good standing under the laws of its jurisdiction of organization; and each Loan Party is duly qualified to do business in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

9.2 Authorization; No Conflict.

Each Loan Party is duly authorized to execute and deliver each Loan Document to which it is a party, the Company is duly authorized to borrow monies hereunder and each Loan Party is duly authorized to perform its Obligations under each Loan Document to which it is a party. The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, and the borrowings by the Company hereunder, do not and will not (a) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in

full force and effect), (b) conflict with (i) any provision of Law, (ii) the charter, by-laws or other organizational documents of any Loan Party or (iii) any material agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Loan Party or any of their respective properties or (c) require, or result in, the creation or imposition of any Lien on any material asset of any Loan Party (other than Liens in favor of the Administrative Agent created pursuant to any of the Loan Documents).) The Loan Parties are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed herein) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is presently or will be doing business except where the failure to do so would not constitute a Material Adverse Effect.

9.3 Validity and Binding Nature.

Each of this Agreement and each other Loan Document to which any Loan Party is a party is the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar Laws affecting the enforceability of creditors' rights generally and to general principles of equity.

9.4 Financial Condition.

The audited consolidated financial statements of the Company and its Subsidiaries for and as at the Company's Fiscal Year ends, 2005, 2006, and 2007, and the unaudited consolidated interim financial statements of the Company and the Subsidiaries for the first two fiscal quarters of the Company's Fiscal Year 2008, copies of each of which have been delivered to each Lender, were prepared in accordance with GAAP (subject, in the case of such unaudited statements, to the absence of footnotes and to normal year-end adjustments) and present fairly the consolidated financial condition of the Company and its Subsidiaries as at such dates and the results of their operations for the periods then ended.

9.5 No Material Adverse Change.

Since the Company's Fiscal Year end 2007, there has been no material adverse change in the financial condition, operations, assets, business, or properties of the Loan Parties taken as a whole.

9.6 Litigation and Contingent Liabilities.

As of the Closing Date, no litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the Company's knowledge, threatened against any Loan Party which might reasonably be expected to have a Material Adverse Effect, except as set forth in Schedule 9.6. As of the Closing Date, other than any liability incident to such litigation or proceedings, no Loan Party has any material contingent liabilities, that would be required to be disclosed by GAAP, which are not listed on Schedule 9.6 or permitted by Section 11.1. No litigation, arbitration or similar proceedings, regardless whether or not previously disclosed to the Lenders or the Administrative Agent, is or are pending against any Loan Party which alone or in the aggregate would reasonably be expected to result, within nine (9) months of any date on which this representation and warranty is made or deemed made (pursuant to a Notice of Borrowing, a Notice of Conversion/Continuation, Section 12.2, or otherwise), in one or more judgments or awards against one or more of the Loan Parties in an amount not covered by confirmed insurance coverage and committed indemnification or contribution obligations with respect thereto in excess of to \$100,000,000.

9.7 Ownership of Properties; Liens.

Each Loan Party owns good and, in the case of real property, marketable title to all of its owned material properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all material Liens, charges and claims (including infringement claims with respect to patents, trademarks, service marks, copyrights and the like) except as permitted by Section 11.2.

9.8 Equity Ownership; Subsidiaries.

All issued and outstanding Capital Securities of each Loan Party are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens, and such securities were issued in material compliance with all applicable state and federal Laws concerning the issuance of securities. Schedule 9.8 sets forth the authorized Capital Securities of each Loan Party and of each of the other Subsidiaries of the Loan Parties as of the Closing Date, together with their respective legal name, place of organization, type of organization and location of chief executive office. All of the issued and outstanding Capital Securities of the Company are owned as set forth on Schedule 9.8 as of the Closing Date, and all of the issued and outstanding Capital Securities of each Wholly-Owned Subsidiary is, directly or indirectly, owned by the Company. As of the Closing Date, except as set forth on Schedule 9.8, there are no material pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of any Loan Party.

9.9 Pension Plans.

(a) Each Pension Plan complies in all material respects with all applicable requirements of Law. No contribution failure under Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan has occurred with respect to any Pension Plan, sufficient to give rise to a Lien under Section 302(f) of ERISA, or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of the Company, threatened, claims, actions, investigations or lawsuits against any Pension Plan, any fiduciary of any Pension Plan, or Company or any other member of the Controlled Group with respect to a Pension Plan or a Multiemployer Pension Plan which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any other member of the Controlled Group has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Pension Plan or Multiemployer Pension Plan which would subject that Person to any material liability. Within the past five years, neither the Company nor any other member of the Controlled Group has engaged in a transaction which resulted in a Pension Plan with an Unfunded Liability being transferred out of the Controlled Group, which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan, which could reasonably be expected to have a Material Adverse Effect.

(b) All material contributions (if any) have been made to any Multiemployer Pension Plan that are required to be made by the Company or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable Law; neither the Company nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, could result in a withdrawal or partial withdrawal from any such plan; and neither the Company nor any other member of the Controlled Group has received any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

9.10 Investment Company Act.

No Loan Party is an “investment company” or a company “controlled” by an “investment company” or a “subsidiary” of an “investment company,” within the meaning of the Investment Company Act of 1940.

9.11 [Reserved]

9.12 Regulation U.

The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. No part of the proceeds of any Loan has been or will be used, immediately, incidentally, or ultimately, for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Company or any of its Subsidiaries holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of the Company or any Subsidiary of the Company are or will be represented by margin stock.

9.13 [Reserved]

9.14 Solvency, etc.

On the Closing Date, and immediately prior to and after giving effect to the issuance of each Letter of Credit and each borrowing hereunder and the use of the proceeds thereof, with respect to the Loan Parties, taken as a whole, (a) the fair value of their assets is greater than the amount of their liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated, (b) the present fair saleable value of their assets is not less than the amount that will be required to pay the probable liability on their debts as they become absolute and matured, (c) they are able to realize upon their assets and pay their debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) they do not intend to, and do not believe that they will, incur debts or liabilities beyond their ability to pay as such debts and liabilities mature and (e) they are not engaged in business or a transaction, and are not about to engage in business or a transaction, for which their property would constitute unreasonably small capital.

9.15 Environmental Matters.

The on-going operations of each Loan Party comply in all respects with all Environmental Laws, except such non-compliance which could not (if enforced in accordance with applicable Law) reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. Each Loan Party has obtained, and maintained in good standing, all licenses, permits, authorizations, registrations and other approvals required under any Environmental Law and required for their respective ordinary course operations, and for their reasonably anticipated future operations, and each Loan Party is in compliance with all terms and conditions thereof, except where the failure to do so could not reasonably be expected to result in material liability to any Loan Party and could not reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. No Loan Party or any of its properties or operations is subject to any written order from or agreement with any Federal, state or local governmental authority, nor to the knowledge of any Loan Party subject to any judicial or docketed administrative or other proceeding, respecting any Environmental Law, Environmental Claim or

Hazardous Substance which could reasonably be expected to have a Material Adverse Effect. No Loan Party has any underground storage tanks that are not properly registered or permitted under applicable Environmental Laws.

9.16 Insurance.

Set forth on Schedule 9.16 is an accurate summary of the property and casualty insurance program of the Loan Parties as of the Closing Date. Each Loan Party and its properties are insured with financially sound and reputable insurance companies which are not Affiliates of the Loan Parties, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Loan Parties operate.

9.17 Real Property.

Set forth on Schedule 9.17 is a complete and accurate list, as of the Closing Date, of the address of all material real property owned or leased by any Loan Party, together with, in the case of leased property, the name and mailing address of the lessor of such property.

9.18 Information.

To the best knowledge of the Company, all information heretofore or contemporaneously herewith furnished in writing by any Loan Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement, the Standard Car Acquisition, and the other transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Administrative Agent and the Lenders that any projections and forecasts provided by the Company are based on good faith estimates and assumptions believed by the Company to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

9.19 Intellectual Property.

To the knowledge of the Senior Officers of the Loan Parties, each Loan Party owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as are necessary for the then current conduct of the businesses of the Loan Parties, without any infringement upon rights of others which could reasonably be expected to have a Material Adverse Effect.

9.20 Burdensome Obligations.

To the knowledge of the Senior Officers of the Loan Parties, no Loan Party is a party to any agreement or contract or subject to any restriction contained in its organizational documents which could reasonably be expected to have a Material Adverse Effect.

9.21 Labor Matters.

Except as set forth on Schedule 9.21, as of the Closing Date, no Loan Party is subject to any labor or collective bargaining agreement. There are no existing or, to the knowledge of the Company, threatened strikes, lockouts or other labor disputes involving any Loan Party that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect.

9.22 No Default.

No Event of Default or Unmatured Event of Default exists or would result from the incurrence by any Loan Party of any Debt hereunder or under any other Loan Document.

9.23 Indenture, No Recent Amendments.

There has occurred no amendment, restatement, refinancing, or the like to the Permitted Note Indenture from the date of its execution by the Company through the Closing Date.

SECTION 10 AFFIRMATIVE COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, each of the Loan Parties jointly and severally agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will (and, where applicable, will cause any non-domestic Subsidiary of a Loan Party to):

10.1 Reports, Certificates and Other Information.

Furnish to the Administrative Agent (who shall forward a copy of the same to each Lender):

10.1.1 Annual Report.

Promptly when available and in any event within 90 days after the close of each Fiscal Year, the consolidated financial statements of the Company and its Subsidiaries as at the end of such Fiscal Year consisting of the consolidated 10-K of the Company and its Subsidiaries, all in reasonable detail and certified without adverse reference to going concern value and without qualification by independent auditors of recognized standing selected by the Company and reasonably acceptable to the Administrative Agent.

10.1.2 Interim Reports.

Promptly when available and in any event within 45 days after the end of each Fiscal Quarter (except the last Fiscal Quarter of each Fiscal Year), consolidated financial statements of the Company and its Subsidiaries as of the end of such Fiscal Quarter consisting of the consolidated 10-Q of the Company and its Subsidiaries.

10.1.3 Compliance Certificates.

Contemporaneously with the furnishing of a copy of each annual audit report pursuant to Section 10.1.1 and each set of quarterly statements pursuant to Section 10.1.2, a duly completed compliance certificate in the form of Exhibit B, with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Senior Officer of the Company, containing a computation of each of the financial ratios and restrictions set forth in Section 11.14 and to the effect that such officer has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it.

10.1.4 Reports to the SEC and to Shareholders.

Promptly upon the filing or sending thereof, copies of all regular, periodic or special reports of any Loan Party filed with the SEC; copies of all registration statements of any Loan Party filed with the SEC (other than on Form S-8); and copies of all proxy statements or other communications made to security holders generally.

10.1.5 Notice of Litigation and ERISA Matters.

Promptly upon becoming aware of any of the following, written notice describing the same and the steps being taken by the Company or the Subsidiary affected thereby with respect thereto:

(a) any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Company to the Lenders which has been instituted or, to the knowledge of the Company, is threatened against any Loan Party or to which any of the properties of any thereof is subject or any change or adverse development in any such litigation, arbitration or governmental investigation or proceeding whether or not such litigation, arbitration or governmental investigation or proceeding was previously disclosed by the Company to the Lenders (including any change in insurance coverage or rights of indemnification or contribution with respect thereto), which in any case might reasonably be expected to have a Material Adverse Effect;

(b) the institution of any steps by any member of the Controlled Group or any other Person to terminate any Pension Plan, or the failure of any member of the Controlled Group to make a required contribution to any Pension Plan (if such failure is sufficient to give rise to a material Lien under Section 302(f) of ERISA) or to any Multiemployer Pension Plan, or the taking of any action with respect to a Pension Plan which could result in the requirement that the Company furnish a material bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan or Multiemployer Pension Plan which could result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty (including any claim or demand for material withdrawal liability or material partial withdrawal from any Multiemployer Pension Plan), or any material increase in the contingent liability of the Company with respect to any post-retirement welfare benefit plan or other employee benefit plan of the Company or another member of the Controlled Group, or any notice that any Multiemployer Pension Plan is in reorganization, that material increased contributions may be required to avoid a reduction in plan benefits or the imposition of a material excise tax, that any such plan is or has been funded at a rate materially less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent; or

(c) any violation of any Environmental Law or the assertion of any Environmental Claim which would reasonably be expected to have a Material Adverse Effect.

10.1.6 [Reserved]

10.1.7 Management Reports.

Promptly upon receipt thereof, copies of all detailed financial and management reports submitted to the Company by independent auditors in connection with each annual or interim audit made by such auditors of the books of the Company.

10.1.8 Projections.

As soon as practicable, and in any event not later than the last day of February of each year beginning with February 28, 2009, the annual forecasts (to include the balance sheet, profit and loss statement and statement of cash flows) of the Company and its Subsidiaries taken together, prepared in a manner consistent with the projections delivered by the Company to the Lenders prior to the Closing Date or otherwise in a manner reasonably satisfactory to the Administrative Agent, accompanied by a certificate of a Senior Officer of the Company on behalf of the Company to the effect that (a) such projections were prepared by the Company in good faith, (b) the Company has a reasonable basis for the assumptions contained in such projections and (c) such projections have been prepared in accordance with such assumptions.

10.1.9 Indenture Debt Notices.

Promptly following receipt, copies of any notices (including notices of default or acceleration) received from any holder or trustee of, under or with respect to the Permitted Note Indenture.

10.1.10 Notice of Default.

Promptly after any officer of the Company has learned of the occurrence of an Event of Default or Unmatured Event of Default, a certificate signed by a Senior Officer of the Company setting forth the details of such Event of Default or Unmatured Event of Default and the action which the Company and any other Loan Party proposes to take with respect thereto.

10.1.11 Notice of Litigation.

Promptly after the commencement thereof, notice of all actions, suits, or governmental investigations or proceedings (as to which the Company or any Subsidiary of the Company has actual knowledge) against the Company or any Subsidiary of the Company, involving a claim or series of claims in excess of \$10,000,000 or which if adversely determined could reasonably be expected to have a Material Adverse Effect.

10.1.12 Other Information.

Promptly from time to time, such other information concerning the Loan Parties as any Lender or the Administrative Agent may reasonably request.

10.2 Books, Records and Inspections.

Keep, and cause each other Loan Party to keep, its books and records in accordance with sound business practices sufficient to allow the preparation of financial statements in accordance with GAAP; permit, and cause each other Loan Party to permit, any Lender or the Administrative Agent or any representative thereof to inspect the properties and operations of the Loan Parties; and permit, and cause each other Loan Party to permit, at any reasonable time and with reasonable notice (or at any time without notice if an Event of Default exists), any Lender or the Administrative Agent or any representative thereof to visit any or all of its offices, to discuss its financial matters with its officers and its independent auditors (and the Company hereby authorizes such independent auditors to discuss such financial matters with any Lender or the Administrative Agent or any representative thereof), and to examine (and, at the expense of the Loan Parties, photocopy extracts from) any of its books or other records. All such inspections or audits by the Administrative Agent shall be at the Company's expense, provided that so long as no Event of Default or Unmatured Event of Default exists, the Company shall not be required to reimburse the Administrative Agent for inspections or audits.

10.3 Maintenance of Property; Insurance.

(a) Keep, and cause each other Loan Party to keep, all material property necessary in the business of the Loan Parties in working order and condition, ordinary wear and tear excepted except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability, and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with insurers believed by the Company to be reputable and financially sound, including self-insurance to the extent customary. The Company shall provide to the Administrative Agent (who shall forward a copy of the same to each of the Lenders), no later than the date on which annual financial statements are to be provided to the Administrative Agent pursuant to Section 10.1.1, evidence (in such form as is satisfactory to the Administrative Agent) of compliance with the terms of this Section.

10.4 Compliance with Laws; Payment of Taxes and Liabilities.

(a) Comply, and cause each other Loan Party and each non-domestic Subsidiary of a Loan Party to comply, in all material respects with all applicable Laws, except where failure to comply could not reasonably be expected to have a Material Adverse Effect; (b) without limiting clause (a) above, ensure, and cause each other Loan Party and each non-domestic Subsidiary of a Loan Party to ensure, that no person who owns a controlling interest in or otherwise controls a Loan Party or any non-domestic Subsidiary of a Loan Party is or shall be (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (ii) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders, (c) without limiting clause (a) above, comply, and cause each other Loan Party and each non-domestic Subsidiary of a Loan Party to comply, with all applicable Bank Secrecy Act and anti-money laundering Laws and regulations and (d) pay, and cause each other Loan Party and each non-domestic Subsidiary of a Loan Party to pay, prior to delinquency, all material taxes and other governmental charges against it or any collateral (if any), as well as material claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require any Loan Party or any non-domestic Subsidiary of a Loan Party to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, in the case of a claim which could become a Lien on any collateral (if any), such contest proceedings shall stay the foreclosure of such Lien or the sale of any portion of the collateral (if any) to satisfy such claim.

10.5 Maintenance of Existence, etc.

Maintain and preserve, and (subject to Section 11.5) cause each other Loan Party and each non-domestic Subsidiary of a Loan Party to maintain and preserve, (a) its existence and good standing in the jurisdiction of its organization and (b) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect).

10.6 Use of Proceeds.

Use the proceeds of the Loans, and the Letters of Credit, solely to refinance the indebtedness outstanding under the Prior Credit Agreement, to finance in part the Standard Car Acquisition, for working capital purposes, for Acquisitions permitted by Section 11.5, for Capital Expenditures and for other general business purposes; and not use or permit any proceeds of any Loan or Letters of Credit to be used, either directly or indirectly, for any purpose which contravenes any applicable Law.

10.7 Employee Benefit Plans.

(a) Maintain, and cause each other member of the Controlled Group to maintain, each Pension Plan in substantial compliance with all applicable requirements of Law.

(b) Make, and cause each other member of the Controlled Group to make, on a timely basis, all required contributions to any Multiemployer Pension Plan.

(c) Not, and not permit any other member of the Controlled Group to (i) seek a waiver of the minimum funding standards of ERISA, (ii) terminate or withdraw from any Pension Plan or Multiemployer Pension Plan or (iii) take any other action with respect to any Pension Plan that would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Pension Plan, unless the actions or events described in clauses (i), (ii) and (iii), individually or in the aggregate would not have a Material Adverse Effect.

10.8 Environmental Matters.

If any release or threatened release or other disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Loan Party, the Company shall, or shall cause the applicable Loan Party to, cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Company shall, and shall cause each other Loan Party to, comply with any Federal or state judicial or administrative order requiring the performance at any real property of any Loan Party of activities in response to the release or threatened release of a Hazardous Substance. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Company shall, and shall cause its Subsidiaries to, dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with Environmental Laws.

10.9 [Reserved]

10.10 Further Assurances; Joinder of Guarantors.

(a) Take, and cause each other Loan Party to take, such actions as are necessary or as the Administrative Agent or the Required Lenders may reasonably request from time to time to ensure that the Obligations of each Loan Party under the Loan Documents are guaranteed by each domestic Subsidiary (including, upon the acquisition or creation thereof, any Subsidiary acquired or created after the Closing Date), in each case as the Administrative Agent may determine, including the execution and delivery of guaranties and other documents including a Loan Party Joinder substantially in the form of Exhibit H, and (b) do all such other acts and things as the Administrative Agent in its reasonable

discretion may deem necessary or advisable from time to time in order to more effectively carry out the provisions and goals of this Agreement and the other Loan Documents. In the event that the operations or revenue of any of Ricon Acquisition Corporation, Intermodal Trailer Express, Inc. or Transit Care, Inc., is no longer immaterial to the operations or income of the Company and its other Subsidiaries, as reasonably determined by the Administrative Agent in consultation with the Company, then such entity shall guaranty the Obligations of each Loan Party under the Loan Documents and become a Loan Party hereunder by the execution and delivery of guaranties and other documents including a Loan Party Joinder substantially in the form of Exhibit H.

SECTION 11 NEGATIVE COVENANTS

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, each of the Loan Parties agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will (and, where applicable, will cause any non-domestic Subsidiary of a Loan Party to):

11.1 Debt.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, create, incur, assume or suffer to exist any Debt, except:

- (a) Obligations under this Agreement and the other Loan Documents;
- (b) Debt secured by Liens permitted by Section 11.2(d) and Section 11.2(i), and extensions, renewals and refinancings thereof; provided that the aggregate amount of all such Debt at any time outstanding shall not exceed \$50,000,000;
- (c) Debt of the Company to any domestic Wholly-Owned Subsidiary or Debt of any domestic Wholly-Owned Subsidiary to the Company or another domestic Wholly-Owned Subsidiary; provided that the obligations under such Debt shall be subordinated to the Obligations of the Company hereunder in a manner reasonably satisfactory to the Administrative Agent;
- (d) Debt arising under the Permitted Note Indenture;
- (e) Hedging Obligations approved by Administrative Agent and incurred in favor of a Lender or an Affiliate thereof for bona fide hedging purposes and not for speculation;
- (f) Debt described on Schedule 11.1 and, subject to Section 11.16, any extension, renewal or refinancing thereof to the extent the principal amount thereof is not increased or made senior in right of payment to the Loans, and so long as the terms thereof are not materially more burdensome than those of the Debt being extended, renewed, or refinanced;
- (g) Contingent Liabilities of the Loan Parties or any non-domestic Subsidiary of a Loan Party arising with respect to (i) any Debt permitted hereby, and (ii) notwithstanding any other provision hereof (but subject to the proviso below), guaranties of performance, completion, quality, and the like provided by the Company or any Subsidiary of the Company with respect to performance or similar obligations owing to a Person by the Company or any of its Subsidiaries provided, however, that the sum of all amounts paid plus all costs incurred, as the case may be, by the Loan Parties with respect to guaranties of the performance, completion, quality, or similar obligations of all non-domestic Subsidiaries of the Company, to the extent such amounts paid or

costs incurred by Loan Parties are not repaid or reimbursed by the non-domestic Subsidiaries of the Company, shall be deemed to be Debt of non-domestic Subsidiaries of the Company owing to Loan Parties for the purposes, and subject to the limitations, of Section 11.1(i) (for the avoidance of doubt, none of such obligations incurred or amounts paid or costs incurred by the Company or any of its Subsidiaries with respect to guaranties of the performance, completion, quality, or similar obligations of the Company or any of its Subsidiaries shall be deemed to be Indebtedness of, or a loan to, the Company or any of its Subsidiaries for the purposes of the calculation of any of the financial covenants of Section 11.14);

(h) Debt of the Loan Parties and any non-domestic Subsidiary of a Loan Party in respect of surety bonds, performance bonds, bid bonds, or similar obligations arising in the ordinary course of business up to an amount reasonably determined to be payable under all surety bonds then outstanding not to exceed at any time \$350,000,000 in the aggregate;

(i) Debt of any non-domestic Subsidiary of the Company to any Loan Party or to any other Person, *provided* that the aggregate of all such Indebtedness in existence at any time of calculation shall not exceed the equivalent amount of \$100,000,000; and

(j) other unsecured Debt of any Loan Party, in addition to the Debt listed above, in an aggregate outstanding amount not at any time exceeding \$50,000,000.

11.2 Liens.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, create or permit to exist any Lien on any of its real or personal properties, assets or rights of whatsoever nature (whether now owned or hereafter acquired), except:

(a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves;

(b) Liens arising in the ordinary course of business (such as (i) Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by Law and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services and, in each case, for which it maintains adequate reserves;

(c) Liens arising under the Loan Documents from time to time;

(d) subject to the limitation set forth in Section 11.1(b), (i) Liens arising in connection with Capital Leases (and attaching only to the property being leased), (ii) Liens existing on property at the time of the acquisition thereof by any Loan Party or any non-domestic Subsidiary of a Loan Party (and not created in contemplation of such acquisition) and (iii) Liens that constitute purchase money security interests on any property securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within 60 days of the acquisition thereof and attaches solely to the property so acquired;

(e) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding \$10,000,000 arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) Liens on contracts entered into with its customers by a Loan Party or any non-domestic Subsidiary of a Loan Party and the assets related thereto to secure the obligations of the Loan Party or the non-domestic Subsidiary of a Loan Party in respect of such contracts or in respect of surety bonds, performance bonds, bid bonds, or similar obligations arising in the ordinary course of business issued on its behalf, in each case to assure performance of such contracts;

(g) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of any Loan Party;

(h) Liens arising under Securitizations, and

(i) Other Liens securing payment of an aggregate amount of Indebtedness not to exceed \$50,000,000.

11.3 Operating Leases.

Not permit the aggregate amount of all rental payments under Operating Leases made (or scheduled to be made) by the Loan Parties (on a consolidated basis) to exceed \$50,000,000 in any Fiscal Year.

11.4 Restricted Payments.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, (a) make any distribution to any holders of its Capital Securities, (b) purchase or redeem any of its Capital Securities, (c) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof, (d) make any redemption, prepayment, defeasance, repurchase or any other principal payment in respect of the Permitted Note Indenture or (e) set aside funds for any of the foregoing. Notwithstanding the foregoing, (i) any Subsidiary may pay dividends or make other distributions to the Company or to a domestic Wholly-Owned Subsidiary; and (ii) so long as no Event of Default or Unmatured Event of Default exists or would result therefrom, the Company may (A) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof up to an amount not to exceed \$500,000 in any Fiscal Year, provided that the Company may pay all of the reasonable fees of an investment bank of recognized standing that is also an equityholder of the Company or any Affiliate thereof; (B) repurchase or make redemptions of its common stock (subject to the provisos set forth in Clause (D) directly below and at the end of this Section 11.4); (C) declare and pay cash dividends in respect of its common stock; provided that the aggregate amount of dividends (net of dividends on unallocated shares of common stock of the Company that are returned to the Company) made pursuant to clause (C) of this Section 11.4 shall not exceed \$25,000,000 plus 50% of the accumulated Consolidated Net Income of the Company and its Subsidiaries for each fiscal year since the Closing Date; (D) make redemptions, prepayments, defeasance, repurchases or other payments in respect of the Permitted Note Indenture, provided that, at the time of any repurchase, redemption, prepayment, defeasance, or other payment on its common stock or under the Permitted Note Indenture, the Total Debt to EBITDA Ratio as of the last day of the most recent previous Computation Period is no greater than 2.75 to 1.00 and there is at the time after giving effect to the repurchase, redemption, prepayment, defeasance, repurchases or other payment at least \$50,000,000 of

unused Revolving Commitments, and (E) make redemptions, prepayments, defeasance, repurchases or other payments in respect of the Permitted Note Indenture in connection with a Significant Asset Disposition after compliance with Section 6.2.2 of this Agreement; *provided, however*, that until either the Standard Car Acquisition is consummated or all Term Loans are paid in full, the aggregate amount of all payments, prepayments, repurchases, redemptions, defeasances, and all other payments and expenditures otherwise permitted pursuant to this Clause (ii) shall not exceed \$25,000,000.

11.5 Acquisitions, Mergers, Consolidations, Sales.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, (I) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, (II) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary, but excluding the Capital Securities of the Company), or (III) sell or assign with or without recourse any receivables, except for

(a) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary into the Company or into any other domestic Wholly-Owned Subsidiary or any such purchase or other acquisition by the Company or any domestic Wholly-Owned Subsidiary of the assets or Capital Securities of any Wholly-Owned Subsidiary;

(b) any sale, lease, or other disposition of assets in the ordinary course of business; or

(c) any sale, lease, or other disposition of assets (other than those specifically excepted pursuant to clauses (a) and (b), above), including any one or more Securitizations, provided that (i) at the time of any such disposition, no Event of Default shall exist or shall result from such disposition, (ii) the Company shall demonstrate that it shall be in pro forma compliance with all the financial ratios and restrictions set forth in Section 11.14 immediately after giving effect to any disposition of a Subsidiary or material line of business or a material division, by delivering to the Administrative Agent (who shall forward a copy of the same to the Lenders) at least five (5) Business Days prior to any such disposition a certificate similar in form to Exhibit G evidencing such compliance (iii) the aggregate value of all assets so transferred or disposed of by the Company or any domestic Subsidiary of the Company shall not exceed: (1) in any fiscal year when no Securitization shall occur, ten percent (10%) of the total tangible assets of the Loan Parties at the time of such disposition, and (2) in any fiscal year in which a Securitization shall occur, five percent (5%) of the total tangible assets of the Loan Parties at the time of such disposition (excluding, but solely in the calculation of this clause (2), the value of the assets subject to such one or more Securitizations conducted during such fiscal year from the value of the assets transferred or disposed of in such fiscal year), and (3) for the period commencing on the date hereof and continuing until the Termination Date, ten percent (10%) of the total tangible assets of the Loan Parties at the time of any such disposition (excluding (but solely in the calculation of this clause (3)) the value of the assets subject to any one or more Securitizations conducted during such period from the value of the assets transferred or disposed of during such period), and (iv) with respect to any one or more Securitizations occurring at any time or times from the date hereof until the Expiration Date, (X) all Securitizations shall be on a non-recourse basis to the Company and its Subsidiaries (except for fraud or breaches of representations and warranties), (Y) the aggregate face amount of all assets transferred, disposed of, or otherwise directly or indirectly subject to any Securitization shall not exceed at any one time an aggregate amount of \$100,000,000, and (Z) all Securitizations shall be on terms reasonably acceptable to the Administrative Agent and the Administrative Agent's acceptance thereof shall not be unreasonably withheld.

(d) the Standard Car Acquisition and any other Acquisition by the Company or any Wholly-Owned Subsidiary where:

(A) the business or division acquired are for use, or the Person acquired is engaged, in the businesses conducted by the Loan Parties on the Closing Date or in other activities reasonably incidental thereto or to the operations of a company of the size or nature of any of the Loan Parties, and a Loan Party shall be the surviving Person in the event of a merger or consolidation with a domestic Person, and a Subsidiary of the Company shall be the surviving Person in the event of a merger or consolidation with a non-domestic Person;

(B) immediately before and after giving effect to such Acquisition, no Event of Default or Unmatured Event of Default shall exist;

(C) the Total Debt to EBITDA Ratio as of the last day of the most recent Computation Period and on a pro forma basis after giving effect to such Acquisition does not exceed 2.75 to 1.00 and there remains at least \$50,000,000 of unused Revolver Commitments after giving effect to such Acquisition;

(D) the Company shall demonstrate that it shall be in pro forma compliance with all the financial ratios and restrictions set forth in Section 11.14, immediately after giving effect to such Acquisition, by delivering to the Administrative Agent (who shall forward a copy of the same to the Lenders) at least five (5) Business Days prior to such Acquisition a certificate substantially in the form of Exhibit G evidencing such compliance;

(E) in the case of the Acquisition of any Person, the Board of Directors or similar governing body of such Person has approved such Acquisition;

(F) reasonably prior to such Acquisition, the Administrative Agent shall have received copies of each material document, instrument and agreement to be executed in connection with such Acquisition together with all lien search reports and lien release letters and other documents as the Administrative Agent may require to evidence the existence of any potential Liens and the termination of any Liens on the assets or business to be acquired which are not permitted by the terms of this Agreement;

(G) the provisions of Section 10.10 have been satisfied; and

(H) additionally, with respect to the Standard Car Acquisition: the Administrative Agent shall have received all agreements, filings, and related documents governing, relating to, or evidencing the Standard Car Acquisition, and all amendments, modifications and other changes to the Standard Car Acquisition Agreement, all of which shall be reasonably acceptable to the Administrative Agent; and, the Standard Car Acquisition shall be consummated substantially in accordance with the terms and conditions of the Standard Car Acquisition Agreement heretofore received by the Lenders, as amended, modified, or otherwise changed in a manner reasonably acceptable to the Administrative Agent, for an aggregate consideration (including the assumption of any Debt) of not more than \$350,000,000 excluding transaction expenses.

11.6 Modification of Organizational Documents.

Not permit the articles, charter, by-laws or other organizational documents of any Loan Party or any non-domestic Subsidiary of a Loan Party to be amended or modified in any way which could reasonably be expected to materially adversely affect the interests of the Lenders.

11.7 Transactions with Affiliates.

Not, and not permit any other Loan Party to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its other Affiliates which is on terms which are less favorable than are obtainable from any Person which is not one of its Affiliates, other than with respect to transactions with any of the Loan Parties or any other Subsidiary of a Loan Party for which there exists a reasonable economic, legal, or related motivation.

11.8 Unconditional Purchase Obligations.

Not, and not permit any other Loan Party to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by it regardless of whether delivery is ever made of such materials, supplies or other property or services except for such contracts in an aggregate amount not at any time exceeding \$5,000,000.

11.9 Inconsistent Agreements.

Not, and not permit any other Loan Party to, enter into any agreement containing any provision which would (a) be violated or breached by any borrowing by the Company hereunder or by the performance by any Loan Party of any of its Obligations hereunder or under any other Loan Document, (b) prohibit any Loan Party from granting to the Administrative Agent and the Lenders, a Lien on any of its assets or (c) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make other distributions to the Company or any other Subsidiary, or pay any Debt owed to the Company or any other Subsidiary, (ii) make loans or advances to any Loan Party or (iii) transfer any of its assets or properties to any Loan Party, other than (A) customary restrictions and conditions contained in agreements relating to the sale of all or a substantial part of the assets of any Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder (B) restrictions or conditions imposed by any agreement relating to purchase money Debt, Capital Leases and other secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt and (C) customary provisions in leases and other contracts restricting the assignment thereof.

11.10 Business Activities; Issuance of Equity.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, engage in any line of business other than the businesses engaged in on the date hereof and businesses and other activities reasonably incidental thereto or to the operations of a company of the size or nature of any of the Loan Parties. Not, and not permit any other Loan Party (other than the Company) to, issue any Capital Securities other than (a) any issuance of shares of the Company's common Capital Securities pursuant to any employee or director option program, benefit plan or compensation program or (b) any issuance by a Subsidiary to the Company or another Subsidiary in accordance with Section 11.4.

11.11 Investments.

Not, and not permit any other Loan Party or any non-domestic Subsidiary of a Loan Party to, make or permit to exist any Investment in any other Person, except the following:

(a) contributions by the Company to the capital of any Wholly-Owned Subsidiary, or by any Subsidiary to the capital of any other domestic Wholly-Owned Subsidiary, so long as the recipient of any such capital contribution has guaranteed the Obligations, in each case in accordance with Section 10.10;

- (b) Investments constituting Debt permitted by Section 11.1;
- (c) Contingent Liabilities constituting Debt permitted by Section 11.1 or Liens permitted by Section 11.2;
- (d) Cash Equivalent Investments;
- (e) bank deposits in the ordinary course of business;
- (f) [Reserved];
- (g) intercompany loans or investments by domestic Loan Parties to or in domestic Loan Parties;
- (h) in addition to the Investments permitted by other clauses of this Section 11.11 (including Investments permitted by Clause (j) below), Investments to or in Ventures or non-domestic Subsidiaries of the Company in an aggregate amount at any time of calculation not in excess of \$100,000,000;
- (i) loans by non-domestic Subsidiaries to the Company, *provided* that each such loan is subject to a subordination agreement satisfactory to Administrative Agent;
- (j) Investments to consummate Acquisitions permitted by Section 11.5; and
- (k) Investments listed on Schedule 11.11 as of the Closing Date,

provided that (x) any Investment which when made complies with the requirements of the definition of the term “Cash Equivalent Investment” may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; (y) no Investment otherwise permitted by clause (h), or (j) shall be permitted to be made if, immediately before or after giving effect thereto, any Event of Default or Unmatured Event of Default exists.

11.12 Restriction of Amendments to Certain Documents.

Not amend or otherwise modify, or waive any material rights under, the Permitted Note Indenture.

11.13 Fiscal Year.

Not change its Fiscal Year.

11.14 Financial Covenants.

11.14.1 Interest Coverage Ratio.

Not permit the Interest Coverage Ratio for any Computation Period to be less than 3.00 to 1.00.

11.14.2 Total Debt to EBITDA Ratio.

Not permit the Total Debt to EBITDA Ratio as of the last day of any Computation Period to exceed 3.25 to 1.00.

11.14.3 [Reserved]

11.14.4 [Reserved]

11.14.5 Covenant Calculations.

In the event of a proposed Acquisition, the Company shall demonstrate pro forma compliance with each of Sections 11.14.1 through 11.14.3 by determining the calculations of each such Section as if such Acquisition and all obligations of the Company and its Subsidiaries incurred in connection therewith had been completed and incurred at the beginning of the period for each such calculation.

11.15 Cancellation of Debt.

Not, and not permit any other Loan Party to, cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business.

11.16 Limitations on Amendments to Indenture.

Not agree to, permit, or suffer to exist any amendment, restatement, refinancing, or the like of the Permitted Note Indenture unless the Permitted Noted Indenture as amended, restated, refinanced, or the like and the Indebtedness relating to the Permitted Note Indenture, as amended, restated, refinanced or the like, meets all of the following criteria:

(a) no amendment, restatement, refinancing, or the like of the Permitted Note Indenture shall increase the aggregate principal amount of Indebtedness then outstanding thereunder or permit the reborrowing of principal amounts paid thereunder;

(b) no portion of the principal amount of the Indebtedness outstanding under the Permitted Note Indenture as amended, restated, refinanced, or the like shall be due prior to August 6, 2013, other than any mandatory payments required solely in the event of a Significant Disposition or change of control, *provided* that proceeds arising from a Significant Disposition are first allowed to be utilized by the Company to prepay Obligations or to be timely utilized by the Company to acquire replacement or additional assets;

(c) the rate of interest (other than after a default) applicable to the Indebtedness outstanding under the Permitted Note Indenture as amended, restated, refinanced, or the like shall not exceed 7.0%;

(d) after giving effect to the Permitted Note Indenture as amended, restated, refinanced, or the like, the Loan Parties shall be in compliance with the covenants and other requirements of this Agreement (including those set forth at Section 11.14 of this Agreement) and no Event of Default or Unmatured Event of Default shall exist or be continuing;

(e) the events of default and covenants set forth in the Permitted Note Indenture as amended, restated, refinanced, or the like shall not be more restrictive, in any material respect, than the Events of Default and covenants set forth in this Agreement;

(f) the payment of the Indebtedness outstanding under the Permitted Note Indenture as amended, restated, refinanced, or the like shall not be secured (other than to the extent of customary rights of set off) by any Lien on any property or assets of any Loan Party;

(g) no Person other than a Loan Party shall provide any guaranty of the Indebtedness outstanding under the Permitted Note Indenture as amended, restated, refinanced, or the like;

(h) the Permitted Note Indenture as amended, restated, refinanced, or the like shall not prohibit or restrict any Loan Party from providing any Lien, now or hereafter, to the Administrative Agent or any Lender to secure the payment or performance of any or all of the Obligations and, in the event any such Lien is provided, the Permitted Note Indenture as amended, restated, refinanced, or the like shall not require the Company or any of its Subsidiaries to provide any Lien to secure payment or performance of any obligation arising under the Permitted Note Indenture as amended, restated, refinanced, or the like;

(i) no Obligations of the Loan Parties under this Agreement and the other Loan Documents shall conflict with or violate the terms of the Permitted Note Indenture as amended, restated, refinanced, or the like, and any Loans made or hereafter made to the Company and any Letters of Credit issued or hereafter issued under this Agreement shall continue to be permitted to be incurred under the Permitted Note Indenture as amended, restated, refinanced, or the like; and

(j) the Indebtedness outstanding under the Permitted Note Indenture as amended, restated, refinanced, or the like will not conflict with or violate the terms of this Agreement or any other Loan Document.

SECTION 12 EFFECTIVENESS; CONDITIONS OF LENDING, ETC.

The obligation of each Lender to make its Loans and of the Issuing Lender to issue Letters of Credit is subject to the following conditions precedent:

12.1 Initial Credit Extension.

The obligation of the Lenders to make the initial Loans and the obligation of the Issuing Lender to issue its initial Letter of Credit (whichever first occurs) is, in addition to the conditions precedent specified in Section 12.2, subject to the conditions precedent that (a) the Company shall have given notice under the Prior Credit Agreement that the Company shall on the Closing Date permanently terminate all Commitments under (and as defined in) the Prior Credit Agreement, and all Debt outstanding under the Prior Credit Agreement has been (or concurrently with the initial borrowing will be) paid in full and all agreements and instruments governing the Debt outstanding under the Prior Credit Agreement have been (or concurrently with the initial borrowing will be) terminated, (b) since December 31, 2007, no Material Adverse Change has occurred, (c) the making of the Loans and the issuance of the Letters of Credit shall not contravene any Law applicable to any Loan Party or any of the Lenders and no action, proceeding, investigation, regulation, or legislation shall have been instituted, threatened, or proposed before any court, governmental agency, or legislative body to enjoin, restrain, or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents, or the consummation of any of the transactions contemplated hereby or thereby or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents, and (d) the Administrative Agent shall have received all of the following, each duly executed, delivered and dated the Closing Date (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent (and the date on which all such conditions precedent have been satisfied or waived in writing by the Administrative Agent and the Lenders is called the "Closing Date"):

12.1.1 Notes.

Appropriate Notes for each Lender.

12.1.2 Authorization Documents.

For each Loan Party, such Person's (a) charter (or similar formation document), certified by the appropriate governmental authority; (b) good standing certificates in its state of incorporation (or formation) and in each other state requested by the Administrative Agent; (c) bylaws (or similar governing document); (d) resolutions of its board of directors (or similar governing body) approving and authorizing such Person's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; and (e) signature and incumbency certificates of its officers executing any of the Loan Documents (it being understood that the Administrative Agent and each Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein), all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification.

12.1.3 Consents, etc.

Certified copies of all documents evidencing any necessary corporate or partnership action (other than that addressed in Section 12.1.2 above), consents and governmental approvals (if any) required for the execution, delivery and performance by the Loan Parties of the documents referred to in this Section 12.

12.1.4 Letter of Direction, Sources and Uses.

A letter of direction containing funds flow information with respect to the proceeds of the Loans on the Closing Date.

12.1.5 Guaranty Agreement.

The Guaranty Agreement and Intercompany Subordination Agreement, executed by each Loan Party, and the other Loan Documents shall have been duly delivered to the Administrative Agent for the benefit of the Lenders.

12.1.6 Opinions of Counsel.

Opinions of counsel for each Loan Party.

12.1.7 Insurance.

Evidence of the existence of insurance required to be maintained pursuant to Section 10.3(b).

12.1.8 Payment of Fees.

Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by the Administrative Agent through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and the Administrative Agent).

12.1.9 Projections.

Projections (including a projected balance sheet, profit and loss statement and statement of cash flows and giving effect to the Standard Car Acquisition) of the Company and its Subsidiaries, prepared in a manner reasonably satisfactory to the Administrative Agent for the five-year period following the Closing Date shall be reasonably satisfactory to the Administrative Agent and the Lenders and shall be accompanied by a certificate of a Senior Officer of the Company on behalf of the Company to the effect that (a) such projections were prepared by the Company in good faith, (b) the Company has a reasonable basis for the assumptions contained in such projections and (c) such projections have been prepared in accordance with such assumptions.

12.1.10 Termination of Prior Credit Agreement; Lien Searches.

Evidence that the Prior Credit Agreement has been terminated, and all outstanding obligations thereunder have been paid and any Liens securing such obligations have been released; and a Lien search in acceptable scope and with acceptable results.

12.1.11 Standard Car Acquisition Agreement.

The Standard Car Acquisition Agreement as in effect on the Closing Date.

12.1.12 Other.

Such other documents as the Administrative Agent or any Lender may reasonably request.

12.2 Conditions.

The obligation (a) of each Lender to make each Loan and (b) of the Issuing Lender to issue each Letter of Credit is subject to the following further conditions precedent that:

12.2.1 Compliance with Warranties, No Default, etc.

Both before and after giving effect to any borrowing and the issuance of any Letter of Credit, the following statements shall be true and correct:

(a) the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); and

(b) no Event of Default or Unmatured Event of Default shall have then occurred and be continuing.

12.2.2 Confirmatory Certificate.

If requested by the Administrative Agent or any Lender, the Administrative Agent shall have received (in sufficient counterparts to provide one to each Lender) a certificate dated the date of such requested Loan or Letter of Credit and signed by a duly authorized representative of the Company as to the matters set out in Section 12.2.1 (it being understood that each request by the Company for the making of a Loan or the issuance of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company that the conditions precedent set forth in Section 12.2.1 will be satisfied at the time of the making of such Loan or the issuance of such Letter of Credit), together with such other documents as the Administrative Agent or any Lender may reasonably request in support thereof.

SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT.

13.1 Events of Default.

Each of the following shall constitute an Event of Default under this Agreement:

13.1.1 Non-Payment of the Loans, etc.

Default in the payment when due of the principal of any Loan; or default, and continuance thereof for five days, in the payment when due of any interest, fee, reimbursement obligation with respect to any Letter of Credit or other amount payable by the Company hereunder or under any other Loan Document.

13.1.2 Non-Payment of Other Debt.

Any default shall occur under the terms applicable to any Debt of any Loan Party in an aggregate amount (for all such Debt so affected and including undrawn committed or available amounts and amounts owing to all creditors under any combined or syndicated credit arrangement) exceeding \$7,500,000 and such default shall (a) consist of the failure to pay such Debt when due, whether by acceleration or otherwise, or (b) accelerate the maturity of such Debt or permit the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt to become due and payable (or require any Loan Party to purchase or redeem such Debt or post cash collateral in respect thereof) prior to its expressed maturity.

13.1.3 Other Material Obligations.

Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Loan Party with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, would reasonably be expected to have a Material Adverse Effect.

13.1.4 Bankruptcy, Insolvency, etc.

Any Loan Party becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or any Loan Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Loan Party or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Loan Party or for a substantial part of the property of any thereof and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency Law, or any dissolution or liquidation proceeding, is commenced in respect of any Loan Party, and if such case or proceeding is not commenced by such Loan Party, it is consented to or acquiesced in by such Loan Party, or remains for 60 days undismissed; or any Loan Party takes any action to authorize, or in furtherance of, any of the foregoing.

13.1.5 Non-Compliance with Loan Documents.

(a) Failure by any Loan Party to comply with or to perform any covenant set forth in Section 11 (other than Section 11.14.5); or (b) failure by any Loan Party to comply with or to perform any other provision of this Agreement or any other Loan Document (and not constituting an Event of Default under any other provision of this Section 13) and continuance of such failure described in this clause (b) for 45 days.

13.1.6 Representations; Warranties.

Any representation or warranty made by any Loan Party herein or any other Loan Document is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to the Administrative Agent or any Lender in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

13.1.7 Pension Plans.

(a) Any Person institutes steps to terminate a Pension Plan if as a result of such termination the Company or any member of the Controlled Group could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, in excess of \$15,000,000; (b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a material Lien under Section 302(f) of ERISA; or (c) there shall occur any withdrawal or partial withdrawal from a Multiemployer Pension Plan and the withdrawal liability (without unaccrued interest) to Multiemployer Pension Plans as a result of such withdrawal (including any outstanding withdrawal liability that the Company or any member of the Controlled Group have incurred on the date of such withdrawal) exceeds \$15,000,000.

13.1.8 Judgments.

Final judgments which exceed an aggregate of \$10,000,000 shall be rendered against any Loan Party and shall not have been paid, discharged or vacated or had execution thereof stayed pending appeal within 60 days after entry or filing of such judgments.

13.1.9 Invalidity of Collateral Documents, etc.

Any Collateral Document shall cease to be in full force and effect; or any Loan Party (or any Person by, through or on behalf of any Loan Party) shall contest in any manner the validity, binding nature or enforceability of any Collateral Document.

13.1.10 Change of Control.

A Change of Control shall occur.

13.1.11 Material Adverse Effect.

The occurrence of any event having a Material Adverse Effect.

13.2 Effect of Event of Default.

If any Event of Default described in Section 13.1.4 shall occur in respect of the Company, the Commitments shall immediately terminate and the Loans and all other Obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Administrative Agent may (and, upon the

written request of the Required Lenders shall) declare the Commitments to be terminated in whole or in part and/or declare all or any part of the Loans and all other Obligations hereunder to be due and payable and/or demand that the Company immediately Cash Collateralize all or any Letters of Credit, whereupon the Commitments shall immediately terminate (or be reduced, as applicable) and/or the Loans and other Obligations hereunder shall become immediately due and payable (in whole or in part, as applicable) and/or the Company shall immediately become obligated to Cash Collateralize the Letters of Credit (all or any, as applicable), all without presentment, demand, protest or notice of any kind. The Administrative Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Any cash collateral delivered hereunder shall be held by the Administrative Agent (without liability for interest thereon) and applied to the Obligations arising in connection with any drawing under a Letter of Credit. After the expiration or termination of all Letters of Credit, such cash collateral shall be applied by the Administrative Agent to any remaining Obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

SECTION 14 THE AGENT[S].

14.1 Appointment and Authorization.

Each Lender hereby irrevocably (subject to Section 14.10) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” herein and in other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

14.2 Issuing Lender.

The Issuing Lender shall act on behalf of the Lenders (according to their Pro Rata Shares) with respect to any Letters of Credit issued by it and the documents associated therewith. The Issuing Lender shall have all of the benefits and immunities (a) provided to the Administrative Agent in this Section 14 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term “Administrative Agent”, as used in this Section 14, included the Issuing Lender with respect to such acts or omissions and (b) as additionally provided in this Agreement with respect to the Issuing Lender.

14.3 Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

14.4 Exculpation of Administrative Agent.

None of the Administrative Agent nor any of its directors, officers, employees or agents shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of the Company or any other party to any Loan Document to perform its Obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

14.5 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, confirmation from the Lenders of their obligation to indemnify the Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance with the conditions specified in Section 12, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

14.6 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company

referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a “notice of default”. The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Lenders in accordance with Section 13; provided that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

14.7 Credit Decision.

Each Lender acknowledges that the Administrative Agent has not made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Company which may come into the possession of the Administrative Agent.

14.8 Indemnification.

Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify upon demand the Administrative Agent and its directors, officers, employees and agents (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), according to its applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as hereinafter defined); provided that no Lender shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities to the extent determined by a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the applicable Person’s own gross negligence or willful misconduct. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs and Taxes) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the

Letters of Credit, any foreclosure under, or modification, release or discharge of, any or all of the Collateral Documents, termination of this Agreement and the resignation or replacement of the Administrative Agent.

14.9 Administrative Agent in Individual Capacity.

PNC and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Loan Parties and Affiliates as though PNC were not the Administrative Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, PNC or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to their Loans (if any), PNC and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though PNC were not the Administrative Agent, and the terms "Lender" and "Lenders" include PNC and its Affiliates, to the extent applicable, in their individual capacities.

14.10 Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Company (which shall not be unreasonably withheld or delayed), appoint from among the Lenders a successor agent for the Lenders. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 14 and Sections 15.5 and 15.16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

14.11 Guaranty Matters.

The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Loan Party from the Guaranty Agreement if the sale, transfer or other disposition of such Loan Party is permitted by the terms of this Agreement.

14.12 Administrative Agent May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 5, 15.5 and 15.16) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 5, 15.5 and 15.16.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

14.13 Other Agents; Arrangers and Managers.

None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a “syndication agent,” “documentation agent,” “co-agent,” “book manager,” “lead manager,” “arranger,” “lead arranger,” “co-arranger,” or the like, if any, shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

14.14 No Reliance on Administrative Agent’s Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Administrative Agent to carry out such Lender’s, Affiliate’s, participant’s or assignee’s customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the “CIP Regulations”), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (i) any identity verification procedures, (ii) any recordkeeping, (iii) comparisons with government lists, (iv) customer notices or (v) other procedures required under the CIP Regulations or such other Laws.

SECTION 15 GENERAL.

15.1 Waiver; Amendments.

No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by Lenders having an aggregate Pro Rata Shares of not less than the aggregate Pro Rata Shares expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall (a) extend or increase the Commitment of any Lender without the written consent of such Lender, (b) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby, (c) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, without the consent of each Lender directly affected thereby; or (d) release any party from its obligations under the Guaranty Agreement (other than as permitted in Section 14.11), change the definition of Required Lenders, any provision of this Section 15.1 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders. No provision of Section 14 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of the Issuing Lender in its capacity as such shall be amended, modified or waived without the consent of the Issuing Lender. No provision of this Agreement relating to the rights or duties of the Swing Line Lender in its capacity as such shall be amended, modified or waived without the consent of the Swing Line Lender.

Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder which does not require in accordance with the foregoing paragraph the consent of each affected Lender or which does not directly increase or decrease the Commitment of such Defaulting Lender.

15.2 Confirmations.

The Company and each holder of a Note agree from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to the Administrative Agent) the aggregate unpaid principal amount of the Loans then outstanding under such Note.

15.3 Notices.

Any notice, request, demand, direction or other communication (for purposes of this Section 15.3 only, a “Notice”) to be given to or made upon any party hereto under any provision of this Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., “e-mail”) or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a “Website Posting”) if Notice of such Website Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this Section 15.3) in accordance with this Section 15.3. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on Schedule 1.1(B) hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 15.3. Any Notice shall be effective:

- (a) In the case of hand-delivery, when delivered;

(b) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or an overnight courier delivery of a confirmatory Notice;

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(e) In the case of electronic transmission, when actually received;

(f) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such site) by another means set forth in this Section 15.3; and

(g) If given by any other means (including by overnight courier), when actually received.

Any Lender giving a Notice to a Loan Party shall concurrently send a copy thereof to the Administrative Agent, and the Administrative Agent shall promptly notify the other Lenders of its receipt of such Notice.

15.4 Computations.

Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with GAAP, consistently applied; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Section 11 (or any related definition) to eliminate or to take into account the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Section 11 (or any related definition) for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant (or related definition) is amended in a manner satisfactory to the Company and the Required Lenders.

15.5 Costs, Expenses and Taxes.

The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including Attorney Costs and any Taxes) in connection with the preparation, execution, syndication, delivery and administration (including the costs of Intralinks (or other similar service), if applicable) of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), whether or not the transactions contemplated hereby or thereby shall be consummated, and all reasonable out-of-pocket costs and expenses (including Attorney

Costs and any Taxes) incurred by the Administrative Agent and each Lender after an Event of Default in connection with the collection of the Obligations or the enforcement of this Agreement, the other Loan Documents or any such other documents or during any workout, restructuring or negotiations in respect thereof. The Lenders will attempt to minimize the Attorney Costs which are subject to reimbursement by the Company hereunder by considering the usage of one law firm to represent the Lenders and the Administrative Agent if appropriate under the circumstances. In addition, the Company agrees to pay, and to save the Administrative Agent and the Lenders harmless from all liability for, any fees of the Company's auditors in connection with any reasonable exercise by the Administrative Agent and the Lenders of their rights pursuant to Section 10.2. All Obligations provided for in this Section 15.5 shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

15.6 Assignments.

(a) Any Lender may at any time assign to one or more Persons (any such Person, an "Assignee") all or any portion of such Lender's Loans and Commitments, with the prior written consent of the Administrative Agent and the Issuing Lender (which consents shall not be unreasonably withheld and shall not be required for an assignment by a Lender to a Lender or an Affiliate of a Lender) and, so long as no Event of Default exists, the Company (which consent shall not be required for an assignment by a Lender to a Lender or an Affiliate of a Lender). Except as the Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to \$5,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender. The Company and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until the Administrative Agent shall have received and accepted an effective assignment agreement in substantially the form of Exhibit D hereto (an "Assignment Agreement") executed, delivered and fully completed by the applicable parties thereto and a processing fee of \$3,500. No assignment may be made to any Person if at the time of such assignment the Company would be obligated to pay any greater amount under Section 7.6 or 8 to the Assignee than the Company is then obligated to pay to the assigning Lender under such Sections (and if any assignment is made in violation of the foregoing, the Company will not be required to pay such greater amounts). Any attempted assignment not made in accordance with this Section 15.6.1 shall be void. No assignment shall be made to the Company or any of the Company's Affiliates or Subsidiaries and no assignment shall be made to a natural person.

(b) From and after the date on which the conditions described above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, the Company shall execute and deliver to the Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender) appropriate Notes in the principal amount of the Assignee's Pro Rata Share of the Commitments assigned (and, as applicable, appropriate Notes in the principal amount of the Pro Rata Share of the Commitments retained by the assigning Lender retained by the assigning Lender). Each such Note shall be dated the effective date of such assignment. Upon receipt by the assigning Lender of such Notes, the assigning Lender shall return to the Company any prior Notes held by it.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to

secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

15.7 Register.

The Administrative Agent shall maintain a copy of each Assignment Agreement delivered and accepted by it and register (the "Register") for the recordation of names and addresses of the Lenders and the Commitment of each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment Agreement is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. The Administrative Agent shall not incur any liability of any kind with respect to any Lender or the Company with respect to the maintenance of the Register.

15.8 Participations. Any Lender may at any time, without the consent of, or notice to, the Company or the Administrative Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent the other Lenders, and the Issuing Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to Clauses (a) through (d) of Section 15.1 to the extent such Lender has a right to consent under each such Clause; subject to Section 15.9 [Limitations upon Participant Rights, Successors and Assigns Generally] the Company agrees that each Participant shall be entitled to the benefits of Sections 8.2 [Basis for Determining Interest Rate Inadequate or Unfair], 8.3 [Changes in Law Rendering LIBOR Loans Unlawful], and 8.1 [Increased Costs] to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 15.6 [Assignments]. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 7.4 [Setoff] as though it were a Lender; provided such Participant agrees to be subject to Section 7.5 [Proration of Payments] as though it were a Lender.

15.9 Limitations upon Participant Rights, Successors and Assigns Generally. A Participant shall not be entitled to receive any greater payment under Sections 8.1 [Increased Costs], 7.6 [Taxes], 15.5 [Costs, Expenses, and Taxes], 15.18 [Indemnification by the Company], or 15.19 [Nonliability of Lenders] than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that is not incorporated or organized under the laws of the United States of America or a state thereof shall not be entitled to the benefits of Section 7.6 [Taxes] unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company, to comply with Section 7.6(d) as though it were a Lender. **GOVERNING LAW**.

THIS AGREEMENT AND EACH NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE COMMONWEALTH OF

PENNSYLVANIA APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

15.11 Confidentiality.

The Administrative Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts the Administrative Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by any Loan Party and designated as confidential, except that the Administrative Agent and each Lender may disclose such information (a) to Persons employed or engaged by the Administrative Agent or such Lender in evaluating, approving, structuring or administering the Loans and the Commitments; (b) to any assignee or potential assignee that has agreed to comply with the covenant contained in this Section 15.9 (and any such assignee or potential assignee may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Administrative Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Administrative Agent's or such Lender's counsel, is required by Law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Administrative Agent or such Lender is a party; (f) to any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender; (g) to any Affiliate of the Administrative Agent, the Issuing Lender or any other Lender who may provide services or products to the Loan Parties; or (h) that ceases to be confidential through no fault of the Administrative Agent or any Lender. Notwithstanding the foregoing, the Company consents to the publication by the Administrative Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, and the Administrative Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements. Notwithstanding anything in this Agreement or any other Loan Document to the contrary, any information with respect to the "tax treatment" or "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby shall not be confidential and the Administrative Agent and the Lenders and other parties hereto may disclose without limitation of any kind any information that is provided to the Administrative Agent or the Lenders or any other party hereto with respect to the "tax treatment" or "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) other than to the extent necessary to comply with any applicable federal or state securities Laws; and, provided, that to the extent any Loan Document contains information that relates to the "tax treatment" or "tax structure" and contains other information, this paragraph shall only apply to the information regarding the "tax treatment" or "tax structure."

15.12 Severability.

Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable Law.

15.13 Nature of Remedies.

All Obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable Law. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

15.14 Entire Agreement.

This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof (except as relates to the fees described in Section 5.3) and any prior arrangements made with respect to the payment by the Company of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Administrative Agent or the Lenders.

15.15 Counterparts.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective execution and delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall be deemed to be originals.

15.16 Successors and Assigns.

This Agreement shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. The Company may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

15.17 Captions.

Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

15.18 **INDEMNIFICATION BY THE COMPANY.**

IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE ADMINISTRATIVE AGENT AND THE LENDERS AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, THE COMPANY HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD THE ADMINISTRATIVE AGENT, EACH LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF THE ADMINISTRATIVE AGENT AND EACH LENDER (EACH A

“LENDER PARTY”) FREE AND HARMLESS FROM AND AGAINST ANY AND ALL ACTIONS, CAUSES OF ACTION, SUITS, LOSSES, LIABILITIES, DAMAGES AND EXPENSES, INCLUDING ATTORNEY COSTS (COLLECTIVELY, THE “INDEMNIFIED LIABILITIES”), INCURRED BY THE LENDER PARTIES OR ANY OF THEM AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY TENDER OFFER, MERGER, PURCHASE OF CAPITAL SECURITIES, PURCHASE OF ASSETS (INCLUDING THE [RELATED TRANSACTIONS]) OR OTHER SIMILAR TRANSACTION FINANCED OR PROPOSED TO BE FINANCED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, WITH THE PROCEEDS OF ANY OF THE LOANS, (B) THE USE, HANDLING, RELEASE, EMISSION, DISCHARGE, TRANSPORTATION, STORAGE, TREATMENT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS WITH RESPECT TO CONDITIONS AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY OR THE OPERATIONS CONDUCTED THEREON, (D) THE INVESTIGATION, CLEANUP OR REMEDIATION OF OFFSITE LOCATIONS AT WHICH ANY LOAN PARTY OR THEIR RESPECTIVE PREDECESSORS ARE ALLEGED TO HAVE DIRECTLY OR INDIRECTLY DISPOSED OF HAZARDOUS SUBSTANCES OR (E) THE EXECUTION, DELIVERY, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF THE LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF THE APPLICABLE LENDER PARTY’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION. IF AND TO THE EXTENT THAT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, THE COMPANY HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES WHICH IS PERMISSIBLE UNDER APPLICABLE LAW. ALL OBLIGATIONS PROVIDED FOR IN THIS SECTION 15.16 SHALL SURVIVE REPAYMENT OF THE LOANS, CANCELLATION OF THE NOTES, EXPIRATION OR TERMINATION OF THE LETTERS OF CREDIT, ANY FORECLOSURE UNDER, OR ANY MODIFICATION, RELEASE OR DISCHARGE OF, ANY OR ALL OF THE COLLATERAL DOCUMENTS AND TERMINATION OF THIS AGREEMENT.

15.19 Nonliability of Lenders.

The relationship between the Company on the one hand and the Lenders and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Loan Parties, on the one hand, and the Administrative Agent and the Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor. Neither the Administrative Agent nor any Lender undertakes any responsibility to any Loan Party to review or inform any Loan Party of any matter in connection with any phase of any Loan Party’s business or operations. The Company agrees, on behalf of itself and each other Loan Party, that neither the Administrative Agent nor any Lender shall have liability to any Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. **NO LENDER PARTY SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH INTRALINKS OR OTHER SIMILAR INFORMATION**

TRANSMISSION SYSTEMS IN CONNECTION WITH THIS AGREEMENT, NOR SHALL ANY LENDER PARTY HAVE ANY LIABILITY WITH RESPECT TO, AND THE COMPANY ON BEHALF OF ITSELF AND EACH OTHER LOAN PARTY, HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ARISING OUT OF ITS ACTIVITIES IN CONNECTION HERewith OR THEREWITH (WHETHER BEFORE OR AFTER THE CLOSING DATE). The Company acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party. No joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Grantors and the Lenders.

15.20 **FORUM SELECTION AND CONSENT TO JURISDICTION.**

ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA OR IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA; **PROVIDED** THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA AND OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE COMMONWEALTH OF PENNSYLVANIA. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

15.21 **WAIVER OF JURY TRIAL.**

EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

15.22 **USA PATRIOT ACT.**

Each Lender hereby notifies the Company and each of the other Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Company and each of

the other Loan Parties, which information includes the name and address of the Company and each of the other Loan Parties and other information that will allow such Lender to identify the Company and each of the other Loan Parties in accordance with the Act.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES
CORPORATION

By: /s/ Alvaro Garcia-Tunon (SEAL)
Name: Alvaro Garcia-Tunon
Title: Senior Vice President

RAILROAD FRICTION PRODUCTS CORPORATION;
WABTEC HOLDING CORP.; RFPC HOLDING CORP.;
MOTIVEPOWER, INC.; YOUNG TOUCHSTONE
COMPANY; WABTEC DISTRIBUTION COMPANY;
WABTEC CORPORATION; RICON CORP.; SCHAEFER
EQUIPMENT, INC.; WABTEC INTERNATIONAL, INC.;
WABTEC INVESTMENTS LIMITED, LLC

By: /s/ Alvaro Garcia-Tunon (SEAL)
Name: Alvaro Garcia-Tunon
Title: Vice President of each of the above listed companies

PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent and as a Lender and as an Issuing Lender

By: /s/ Tracy DeCock

Name: Tracy DeCock

Title: Vice President

JPMORGAN CHASE BANK, N.A., as Syndication Agent and
as a Lender and as an Issuing Lender

By: /s/ Deborah R. Winkler

Name: Deborah R. Winkler

Title: Vice President

BANK OF AMERICA, N.A.,
as Co-Documentation Agent and as a Lender and as an Issuing
Lender

By: /s/ Robert Fratta

Name: Robert Fratta

Title: Vice President

THE BANK OF NOVA SCOTIA,
as Co-Documentation Agent and as a Lender

By: /s/ Paula J. Czach

Name: Paula J. Czach

Title: Director

FIRST COMMONWEALTH BANK,
as Co-Documentation Agent and as a Lender

By: /s/ C. Forrest Tefft

Name: C. Forrest Tefft

Title: Senior Vice President

CITIZENS BANK OF PENNSYLVANIA,
as Co-Documentation Agent and a Lender

By: /s/ Curtis C. Hunter III

Name: Curtis C. Hunter III

Title: Vice President

BRANCH BANKING AND TRUST COMPANY, as a Lender

By: /s/ Robert M. Searson

Name: Robert M. Searson

Title: Senior Vice President

BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, as
a Lender

By: /s/ George Stoecklein

Name: George Stoecklein

Title: Vice President

FIFTH THIRD BANK, as a Lender

By: /s/ Neil Corry-Roberts

Name: Neil Corry-Roberts

Title: Vice President

TD BANK N.A., as a Lender

By: /s/ Christopher S. Helmecci

Name: Christopher S. Helmecci

Title: Senior Vice President

NATIONAL CITY BANK, as a Lender

By: /s/ Debra W. Riefner

Name: Debra W. Riefner

Title: Senior Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY, as
a Lender

By: /s/ Brian J. Sohocki

Name: Brian J. Sohocki

Title: Vice President

HUNTINGTON NATIONAL BANK, as a Lender

By: /s/ James T. Moorehead

Name: James T. Moorehead

Title: Senior Vice President

THE PRIVATE BANK & TRUST COMPANY, as a Lender

By: /s/ Roy D. Hasbrook

Name: Roy D. Hasbrook

Title: Managing Director

SUBSIDIARIES AND AFFILIATES

Company	Jurisdiction of Incorporation	Ownership Interest
Allied Friction Products Australia Pty Ltd.	Victoria, Australia	100%
Barber Brake Beam LLC	Delaware	50%
Barber Tian Rui LLC	China	50%
Barber Truck International, Inc.	Delaware	100%
Becorit GmbH	Germany	100%
Beijing Wabtec Huaxia Technology Company Ltd.	China	85%
CoFren S.r.l.	Italy	100%
Durox Company	Ohio	100%
Evand Pty Ltd.	West Australia, Australia	100%
FIP Pty Ltd.	Victoria, Australia	100%
FIP Brakes South Africa (Proprietary) Limited	South Africa	100%
FrenTec S.A.S.	France	100%
Horizon Elevator	Canada	100%
Intermodal Trailer Express, Inc.	Delaware	100%
MotivePower, Inc.	Delaware	100%
MZT Hepos AD	Macedonia	80.15%
MZT Hepos Inzenering	Macedonia	100%
MZT Hepos Polska Sp. Zo.o	Poland	100%
Pioneer Friction Limited	West Bengal, India	100%
Poli S.r.l.	Italy	100%
RFPC Holding Corporation	Delaware	100%
Railroad Friction Products Corporation	Delaware	100%
Ricon Corp.	California	100%
Ricon Acquisition Corp.	Georgia	100%
Ricon Europe GmbH	Germany	100%
Ricon UK Limited	United Kingdom	100%
SCT Europe Ltd.	United Kingdom	100%
SCT Technology LLC	Delaware	100%
SanCasT, Inc.	Delaware	100%
Schaefer Equipment, Inc.	Ohio	100%
Shenyang CNR Wabtec Brake Technology Company, Ltd.	China	50%
Standard Car Truck Company	Delaware	100%
Standard Car Truck-Asia, Inc.	Delaware	100%
Standard Car Truck of Canada, Inc.	Canada	100%
Standard Research & Design Corporation	Delaware	100%
Transit Care, Inc.	California	100%
Vapor Europe S.r.l.	Italy	100%
Vastbond Limited	Cyprus	100%
Wabtec Corporation	New York	100%
Wabtec Australia Pty. Limited	Capital Territory, Australia	100%
Wabtec Canada, Inc.	Ontario, Canada	100%
Wabtec China Friction Holding Limited	Hong Kong	100%
Wabtec China Rail Products & Services Holding Limited	Hong Kong	100%
Wabtec de Mexico, S.A. de R.L. de C.V.	Mexico	100%
Wabtec Distribution Company	Delaware	100%
Wabtec Holding Corp.	Delaware	100%
Wabtec International, Inc.	Delaware	100%
Wabtec Investments Limited LLC	Delaware	100%
Wabtec Rail Limited	United Kingdom	100%
Wabtec Railway Electronics Corporation	Nova Scotia	100%
Wabtec Railway Products India Private Ltd.	West Bengal, India	100%
Wabtec Servicios Administrativos, S.A. de C.V.	Mexico	100%
Wabtec South Africa Proprietary Limited	South Africa	100%
Westinghouse Railway Holdings (Canada) Inc.	Ontario, Canada	100%
Young Touchstone Company	Wisconsin	100%

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-80417, 333-53753, 333-39159, 333-02979, 333-115014, 333-137985, 333-41840, 333-40468, 333-35744, and 333-89086) of our reports dated February 23, 2009, with respect to the consolidated financial statements and schedule of Westinghouse Air Brake Technologies Corporation and the effectiveness of internal control over financial reporting of Westinghouse Air Brake Technologies Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 23, 2009

CERTIFICATION

I, Albert J. Neupaver, certify that:

1. I have reviewed this annual report on Form 10-K of Westinghouse Air Brake Technologies Corporation.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

(d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2009

By: _____ /s/ ALBERT J. NEUPAVER

Name: **Albert J. Neupaver**

Title: **President, Chief Executive Officer and Director**

