

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

FORM 10-K

MARK ONE

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934
For the Fiscal Year Ended December 31, 1999

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)
(FORMERLY REGISTERED AS WESTINGHOUSE AIR BRAKE COMPANY)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

25-1615902
(IRS Employer
Identification No.)

1001 AIR BRAKE AVENUE
WILMERDING, PENNSYLVANIA 15148
(Address of principal executive offices,
including zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF CLASS

NAME OF EXCHANGE ON WHICH REGISTERED

COMMON STOCK, PAR VALUE \$.01 PER SHARE

NEW YORK STOCK EXCHANGE

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

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 and (2) has been subject to such filing requirements for at least 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. ☒

As of March 21, 2000, 51,791,767 shares of Common Stock of the registrant were issued and outstanding, of which 8,319,396 shares were unallocated ESOP shares. The registrant estimates that as of this date, the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately \$353.2 million based on the closing price on the New York Stock Exchange for such stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the registrant's Annual Meeting of Stockholders to be held on May 24, 2000 are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

On November 19, 1999 Westinghouse Air Brake Company (WABCO) completed its merger with MotivePower Industries, Inc. WABCO was one of North America's largest manufacturers of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. MotivePower Industries (MotivePower) was a leader in the manufacturing and distribution of products for rail and other power related industries, also providing a variety of related contract services.

We believe the merger resulted in North America's largest providers of value-added, technology-based products and services for the rail industry. The combined company, Westinghouse Air Brake Technologies Corporation, does business as Wabtec Corporation. All references to "we", "our", "us", the "Company" and "Wabtec" refer to Westinghouse Air Brake Technologies Corporation, a Delaware corporation, and its subsidiaries. The merger was accounted for as a "pooling-of-interests." Accordingly, the consolidated financial statements have been restated giving effect to this transaction as if it had occurred as of the beginning of the earliest period presented. The discussions that follow are based on the combined companies for each year.

We believe that we maintain a market share in North America in excess of 50% for our primary braking-related equipment and a significant market share in North America for our other principal products. We also sell our products in Europe, Africa, Australia, South America and Asia. Our major products are intended to enhance safety, improve productivity and reduce maintenance costs for our customers. Our major product offerings include electronic controls and monitors, air brakes, traction motors, cooling equipment, turbochargers, low-horsepower locomotives, couplers, door controls, draft gears and brake shoes. We aggressively pursue technological advances with respect to both new product development and product enhancements. The Company has its headquarters in Wilmerding, Pennsylvania and has approximately 6,500 employees at facilities throughout the world.

INDUSTRY OVERVIEW

The Company's operating results are strongly influenced by general economic conditions, and the financial conditions and level of activity of the global railroad industry. In 1999, favorable conditions generally prevailed in the North American economy. As a result, U.S. railroads carried a record 1.4 trillion revenue ton-miles (defined as weight times distance traveled by Class I railroads), the main indicator of activity in the industry, up 1.8 % from the prior year. There can be no assurance that these favorable conditions will continue. Rail traffic, in terms of both freight and passengers, is a key factor underlying the demand for the Company's products. Government investment in public rail transportation also plays a significant role. Additionally, railroads continuously seek to increase the efficiency and productivity of their rail operations in order to improve profitability. We design an array of products to meet this goal and believe that through our products and service offerings, we are well positioned to contribute to and benefit from the railroad industry's drive to improve efficiency and productivity.

Demand for locomotive and freight car products was strong in 1999 due to continued growth in revenue ton-miles, continued strong delivery of new locomotives and freight cars, and the age of the industry's fleet of rolling stock.

Currently, the active locomotive fleet in the North American market numbers about 33,000 units, which include heavy-haul freight locomotives, commuter locomotives and lower-horsepower, short-haul and terminal locomotives. Deliveries of new, heavy-haul locomotives reached about 1,400 in 1999 as railroads invested in modernizing a portion of their fleets. In 2000, the Company expects the industry to deliver approximately 1,100 new locomotives. Historically, the components, parts and maintenance, and overhaul segments of the railroad industry, while still subject to the impact of rail traffic fluctuations and capital investment cycles, have been more stable and less cyclical than the new locomotive segment.

There are approximately 6,000 low-horsepower locomotives operating in switcher/short-haul service in the U.S. and Canada, with an average age of 30 years. Demand for new state-of-the-art, low-horsepower locomotives has been minimal since the early 1980s because the railroads have focused instead on modernizing, rationalizing and downsizing their higher-horsepower freight locomotive fleets. The Company believes that railroads may now begin to invest in

lower-horsepower locomotives with advanced technology that can achieve higher levels of productivity and efficiency. The Company has formed a strategic alliance with an original equipment manufacturer (OEM) locomotive supplier to market these locomotives, and it is currently building 50 of these units for a specific customer.

Currently, the active freight car fleet in North America numbers about 1.3 million units. Deliveries of new freight cars reached a 20-year high of 75,685 units in 1998 and remained strong in 1999 with 74,223 as railroads and shippers invested in modernizing their fleets. In 2000, the Company expects the industry to deliver approximately 50,000 new freight cars, which would be approximately the average delivery rate of the past 10 years.

Demand for fleet maintenance services is driven by the railroads' focus on cost reduction and productivity improvements as the industry has consolidated over recent decades, and as railroads consider outsourcing non-transportation functions. When possible, the Company supplies its own component parts for use in overhaul and maintenance under these contracts. In this manner, the locomotive fleet maintenance contracts provide additional opportunities for sales of component parts.

Demand for passenger transit original equipment manufacturer (OEM) and aftermarket (i.e. replacement parts) products is driven by the replacement, building and/or expansion programs of transit authorities. These programs are funded in part by federal and state government programs, such as TEA-21 (Intermodal Surface Transportation and Efficiency Act), which is expected to provide up to \$42 billion nationally, subject to appropriations for transit-related infrastructure through 2003.

Since the deregulation of the U.S. railroad industry in 1980, freight railroads have reduced their equipment base, consolidated operations, and reduced suppliers to reduce operating costs and improve their competitive position compared to trucking companies, which compete with the railroad industry. In addition, they have been consolidating and merging, hoping to achieve additional operating and financial efficiencies that will allow them to compete more effectively. The Company believes these consolidations offer opportunities to increase business with the surviving railroads as these railroads seek operating efficiencies through such means as outsourcing locomotive fleet maintenance and components repair. In addition, the supplier base has been consolidating, and the Company is a primary consolidator. The Company operates in a highly competitive environment, and there can be no assurance that increased rail traffic, higher fleet utilization, or other economically favorable industry conditions will benefit the Company.

BUSINESS SEGMENTS AND PRODUCTS

Approximately 60% of our net sales in 1999 were derived from the sale of aftermarket replacement parts, repair services and overhaul work purchased by operators of rail vehicles such as railroads, transit authorities, utilities and leasing companies (collectively, "end users" or the "aftermarket"). The balance of our sales was directly to North American OEMs of locomotives, railway freight cars and passenger transit vehicles. We believe that our substantial installed base of OEM products is a significant competitive advantage for providing products and services to the aftermarket because end-users often look to purchase replacement parts from the OEM when they are safety and performance related products. We believe that we are less adversely affected than our competitors by fluctuations in domestic demand for new railroad vehicles because of our substantial aftermarket and international sales.

Our products and services are delivered through two principal business segments, the Freight Group and Transit Group. Financial information for these segments has been restated in conjunction with the operational realignment of our organization pursuant to the merger of WABCO and MotivePower. Within each group, our new product development programs provide us with an array of product upgrades that strengthen our OEM and aftermarket sales. Our products and services, by business segment, include:

FREIGHT GROUP -- Includes products geared to the production of freight cars and locomotives, including braking control and train coupler equipment. Revenues are derived principally from OEM and aftermarket sales and to a lesser extent, repairs and services. Revenues from these products, as a percentage of total net sales, was 79%, 80% and 78% in 1999, 1998 and 1997, respectively.

Specific product lines within the Freight Group are:

- **FREIGHT CAR** -- We manufacture, sell and service air brake equipment, draft gears, hand brakes and slack adjusters for the OEM freight car market and to the aftermarket in the form of component parts and repair services. Net sales per typical freight car can vary considerably based upon the type and

purpose of the freight platform, with articulated or intermodal cars generally having the highest Wabtec product content. The Company's traditional freight products include the ABDX Freight Brake Valve, the Mark Series draft gears, hand brakes and slack adjusters, and SAC-1(TM) Articulated Coupler.

- LOCOMOTIVE -- We manufacture, sell and service air brake equipment, traction motors, generators, alternators, turbochargers, cooling equipment, gearing, diesel engines, compressors, air dryers, slack adjusters, brake cylinders, and monitoring and control equipment for the locomotive OEM and aftermarket.

We also provide fleet maintenance, overhauling and remanufacturing of locomotives and diesel engines, and manufacturing of environmentally friendly switcher, commuter and mid-range, DC and AC traction, diesel-electric and liquefied natural gas locomotives up to 4,000 horsepower. The Locomotive product line also includes manufacturing and distribution of replacement, new and remanufactured components and parts for freight and passenger railroads, including every Class I railroad in North America, metropolitan transit and commuter rail authorities, industrial power-related markets and, to a lesser extent, OEMs. Wabtec provides aftermarket components for locomotives manufactured by the Electro-Motive Division of General Motors Corporation ("EMD"), certain components for locomotives made by the GE Transportation Systems unit of General Electric Company ("GE") and certain components for Alco locomotives.

Wabtec believes it is the leading independent supplier in North America of many aftermarket locomotive components.

Demand for components is influenced by rail traffic activity. As traffic increases, the railroads seek to maximize locomotive availability and capacity, which can increase the frequency of necessary repairs and maintenance. This business is highly competitive, as the Company faces competition from EMD, GE and numerous smaller, independent manufacturers and distributors. EMD and GE accounted for virtually 100% of the new high-horsepower locomotives delivered in the United States in the past five years and, as OEMs, are the principal suppliers of original parts for their locomotives.

- ELECTRONICS -- We manufacture, sell and service high-quality electronics for the railroads in the form of on-board systems and braking for locomotives and freight cars. We are an industry leader in insulating or "hardening" electronic components to protect them from severe conditions, including extreme temperatures and high/shock vibration environments. Our new product development effort has focused on electronic technology for brakes and controls, and over the past several years, we introduced a number of significant new products including the EPIC(R)Electronic Brake, PowerLink(TM), compressor aftercoolers, Train Trax(TM), Trainlink(TM), Train Sentry III(R), Fuellink(TM) and Armadillo(TM).

TRANSIT GROUP -- Includes products for passenger transit vehicles (typically subways and buses). Revenues are derived primarily from OEM and aftermarket component part(s) sales. Revenues from these products, as a percentage of total net sales, were 21%, 20% and 22% in 1999, 1998 and 1997, respectively.

We manufacture, sell and service electronic brake equipment, pneumatic control equipment, air compressors, tread brakes and disc brakes, couplers, collection equipment, overhead electrification, monitoring systems, wheels, climate control and door equipment and other components for passenger transit vehicles. With the 1996 acquisition of Vapor, Inc., this group is a large supplier of door control equipment for mass transit vehicles. In 1997, we received contracts valued at \$150 million to provide equipment for 1,080 passenger transit cars for the Metropolitan Transportation Authority/New York City Transit (the "MTA"). Deliveries of equipment have begun and are expected to continue in 2000.

Substantially all of our principal passenger transit products are engineered to customer specifications. Consequently, there is less standardization among these products than with the Freight Group products. Because the market for OEM orders has been at a cyclical low during the past several years, we believe the OEM market presents an opportunity for improved growth during the next several years.

For additional information on our business segments, see Note 16 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

STRATEGY

We are committed to building shareholder value by capitalizing on the synergies of our merger with MotivePower Industries and by enhancing our position as a producer of value-added equipment for the

rail industry. Building on our leading market shares, strong aftermarket presence and technological leadership, we are pursuing a strategy with five key elements:

Expand Technology-Driven New Product Development and Product Lines

We plan to continue to emphasize research and development to create new and improved products to increase our market share and profitability. We are focusing on technological advances, especially in the areas of electronics, braking products and other on-board systems, as a means of new product growth. The Company believes that this strategy has been successfully executed by the former Westinghouse Air Brake Company operations, and that it can improve the ability of the former MotivePower Industries operations to be successful as well.

Increase Repair and Upgrade Services

By continuing to leverage our broad product offering and our large installed product base, we intend to expand our presence in the repair and upgrade services market. We believe our services are more cost-effective than, and offer product upgrades not available in, most independent repair shops. To capitalize on the growing aftermarket and the railroads' desire to outsource non-transportation functions, we are developing and marketing retrofit and upgrade products that serve as a platform for offering additional installation, replacement parts and repair services to customers.

Grow International Presence

We believe that international sales represent a significant opportunity for further growth. Our net sales outside of the United States comprised approximately 26%, 27% and 24% in 1999, 1998 and 1997, respectively (see Note 16 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). We intend to increase our existing international sales by acquisitions, direct sales of products through our subsidiaries and licensees, and joint ventures with railway suppliers having a strong presence in their local markets.

Pursue Strategic Acquisitions and Alliances

We intend to pursue strategic acquisitions and alliances that expand our product lines, increase our aftermarket business, increase international sales and increase our technical capabilities. An integral component of our acquisition strategy is to realize revenue growth and cost savings through the integration of the acquired business.

Further Improve Manufacturing Efficiency and Quality

We intend 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 the Wabtec Quality and Performance System, we are dedicated to "lean manufacturing" principles and continuous improvement across all phases of our business. Our QPS includes employee-directed initiatives through Kaizen, a Japanese-developed team concept used to continuously improve quality, lead time and productivity, and to reduce costs. Our QPS tools also include Statistical Engineering and Value Stream Analysis. These efforts enable us to streamline processes, improve product quality and customer satisfaction, reduce product cycle times and respond more rapidly to market developments. We believe our management and employees are appropriately incentivized to carry out our strategy. Management and insiders own approximately 25% of our Common Stock, and our employees own Common Stock through an Employee Stock Ownership Plan ("ESOP") and other plans.

BACKLOG

The backlog as of December 31, 1999, and December 31, 1998, and the expected year of recognition is as follows:

IN THOUSANDS	TOTAL BACKLOG 12/31/99	2000	OTHER YEARS	TOTAL BACKLOG 12/31/98	1999	OTHER YEARS
Freight Group.....	\$ 958,861	\$310,848	\$648,013	\$ 838,809	\$251,238	\$587,571
Transit Group.....	312,310	211,776	100,534	327,896	150,000	177,896
Total.....	<u>\$1,271,171</u>	<u>\$522,624</u>	<u>\$748,547</u>	<u>\$1,166,705</u>	<u>\$401,238</u>	<u>\$765,467</u>

The Company's contracts are subject to standard industry cancellation provisions, including cancellations on short notice or upon completion of designated stages, including, without limitation, contracts

relating to the MTA. Substantial scope-of-work adjustments are common. For these and other reasons, work in the Company's backlog may be delayed or cancelled and backlog should not be relied upon as an indicator of the Company's future performance. The railroad industry, in general, has historically been subject to fluctuations due to overall economic conditions and the level of use of alternate modes of transportation. The Freight Group has significant multiple year locomotive overhaul and fleet contracts that may provide some level of assurance that additional component parts sales in support of overhauling services will occur in the future.

With respect to OEM passenger transit products, there is a longer lead-time for car deliveries and, accordingly, the Company carries a large backlog of orders.

Based upon widely available industry data concerning freight and locomotive OEM backlog and projected 2000 deliveries (that indicate a decline from 1999 deliveries), the Company believes demand for its products will remain reasonably strong for the foreseeable future.

ENGINEERING AND DEVELOPMENT

Consistent with its strategy of using technology to develop new products, the Company is actively engaged in a variety of engineering and development activities. For the fiscal years ended December 31, 1999, 1998 and 1997, the Company incurred costs of approximately \$34.5 million, \$30.4 million, and \$24.4 million, respectively, on product development and improvement activities (exclusive of manufacturing support). Such expenditures represented approximately 3.1%, 2.9%, and 2.8% of net sales for the same periods, respectively. From time to time, the Company conducts specific research projects in conjunction with universities, customers and other railroad product suppliers.

The Company's engineering and development program is largely focused upon new braking technologies, with an emphasis on the application of electronics to traditional pneumatic equipment. Electronic actuation of braking has long been a part of the Company's transit product line but interchangeability, connectivity and durability have presented problems to the industry in establishing electronics in freight railway applications. Efforts are under way to develop the major components of both hard-wired and radio-activated braking equipment.

INTELLECTUAL PROPERTY

The Company has numerous U.S. patents, patent applications pending and trademarks as well as foreign patents and trademarks throughout the world. The Company also relies on a combination of trade secrets and other intellectual property laws, nondisclosure agreements and other protective measures to establish and protect its proprietary rights in its intellectual property.

Certain trademarks, among them the name WABCO(R), were acquired or licensed by the Company from American Standard Inc. in 1990 at the time of the Company's acquisition of the North American operations of the Railway Products Group of American Standard (the "1990 Acquisition").

The Company is a party, as licensor and licensee, to a variety of license agreements. The Company does not believe that any single license agreement, other than the SAB License discussed in the following paragraph, is of material importance to its business as a whole.

The Company and SAB WABCO Holdings B.V. ("SAB WABCO") entered into a license agreement (the "SAB License") on December 31, 1993, pursuant to which SAB WABCO granted the Company a license to the intellectual property and know-how related to the manufacturing and marketing of certain disc brakes, tread brakes and low noise and resilient wheel products. SAB WABCO is a Swedish corporation that was a former affiliate of the Company, both having been owned by the same parent in the early 1990's.

The Company is authorized to manufacture and sell the licensed products in North America (including to OEM manufacturers located outside North America if such licensed products are incorporated into a final product to be sold in North America). SAB WABCO has a right of first refusal to supply the Company with bought-in components of the licensed products on commercially competitive terms. To the extent SAB WABCO files additional patent or trademark applications, or develops additional know-how in connection with the licensed products, such additional intellectual property and know-how are also subject to the SAB License. The Company may, at its expense, request the service of SAB WABCO in manufacturing, installing, testing and maintaining the licensed products and providing customer support. SAB WABCO is entitled to a free, nonexclusive license of the use of any improvements to the licensed products developed by the Company. If any such improve-

ments are patented by the Company, SAB WABCO has the right to request the transfer of such patents upon payment of reasonable compensation therefor; in such cases, the Company is entitled to a free, nonexclusive license to use the patented product. Under the SAB license, the Company is required to pay a lump sum fee for certain licensed products as well as royalties based on specified percentages of sales. The SAB license expires December 31, 2003, but may be renewed for additional one-year terms.

CUSTOMERS

A few customers within each business segment represent a significant portion of the Company's net sales; however, no one customer represented more than 10% of the Company's net sales in 1999. One customer represented 12% of Transit Group sales. Nevertheless, the loss of a few key customers within the Company's Freight and Transit Groups could have an adverse effect on the Company's financial condition, results of operations and liquidity.

COMPETITION

The Company operates in a competitive marketplace. Price competition is strong and the existence of cost-conscious purchasers of a limited number has historically limited Wabtec's 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. The Company's principal competitors vary to some extent across its principal product lines. However, within North America, New York Air Brake Company, a subsidiary of the German air brake producer Knorr-Bremse AG (collectively, "NYAB/ Knorr"), is the Company's principal overall OEM competitor along with the OEM's themselves. The Company's competition for locomotive, freight and passenger transit service and repair business is primarily from the railroads' and passenger transit authorities' in-house operations, the in-house operations of EMD and GE, and NYAB/Knorr.

EMPLOYEES

We employ approximately 6,500 employees, approximately 36% of whom were unionized. Almost all of the employees subject to collective bargaining agreements are within North America and these agreements are generally effective through 2001 and 2002.

The Company considers its relations with its employees and union representation to be good, but cannot assure that future contract negotiations will be favorable to the Company.

REGULATION

In the course of its operations, the Company is subject to various regulations, agencies and entities. In the United States, these include principally the Federal Railroad Administration ("FRA") and the Association of American Railroads ("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 promulgates 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 regulations in other countries in which the Company derives its revenues, we must maintain certain certifications as a component manufacturer and for products we sell.

ENVIRONMENTAL MATTERS

Information with respect to environmental matters is included in Note 15 to the consolidated financial statements included in Part II, Item 8 of this report.

We believe that all statements other than statements of historical fact included in this report, including certain statements here under "Business," may constitute forward looking statements. For a complete discussion of the risks associated with these forward looking statements, see page 19 of this report.

ITEM 2. PROPERTIES

The following table provides certain summary information with respect to 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. The Company's corporate headquarters are located in the Wilmerding, PA site.

LOCATION	PRIMARY USE	PRIMARY SEGMENT	OWN/LEASE	APPROXIMATE SQUARE FEET

DOMESTIC				
Wilmerding, PA	Manufacturing/Service	Freight Group	Own	850,000(1)
Boise, ID	Manufacturing	Freight Group	Own	294,700
Racine, WI	Warehousing	Freight Group	Own	181,000
Lexington, TN	Manufacturing	Freight Group	Own	170,000
Elk Grove Village, IL	Distribution	Freight Group	Lease	150,700
Jackson, TN	Manufacturing	Freight Group	Own	150,000
Braddock, PA	Manufacturing	Freight Group	Own	127,000
Chicago, IL	Manufacturing	Freight Group	Own	111,500
Laurinburg, NC	Manufacturing	Freight Group	Own	105,000
Greensburg, PA	Manufacturing	Freight Group	Own	97,800
Germantown, MD	Manufacturing/Service	Freight Group	Own	80,000
Willits, CA	Manufacturing	Freight Group	Own	70,000
Latham, NY	Manufacturing	Freight Group	Own	66,000
St. Louis, MO	Manufacturing	Freight Group	Own	62,000
Kansas City, MO	Service Center	Freight Group	Lease	55,900
Emporium, PA	Manufacturing	Freight Group	Own	53,000
Racine, WI	Engineering/Office	Freight Group	Own	50,000
Alsip, IL	Manufacturing	Freight Group	Own	42,600
Bossier City, LA	Service Center	Freight Group	Lease	40,000
Cedar Rapids, IA	Manufacturing	Freight Group	Lease	37,000
Gilman, IL	Manufacturing	Freight Group	Lease	31,800
Ball Ground, GA	Manufacturing	Freight Group	Lease	30,000
Carson City, NV	Service Center	Freight Group	Lease	22,000
Chicago, IL	Service Center	Freight Group	Lease	19,200
Columbia, SC	Service Center	Freight Group	Lease	12,300
Niles, IL	Manufacturing	Transit Group	Own	355,300
Spartanburg, SC	Manufacturing/Service	Transit Group	Lease	183,600
Plattsburgh, NY	Manufacturing	Transit Group	Lease	64,000
Elmsford, NY	Service Center	Transit Group	Lease	28,000
Sun Valley, CA	Service Center	Transit Group	Lease	4,000
Atlanta, GA	Service Center	Transit Group	Lease	1,200

LOCATION	PRIMARY USE	PRIMARY SEGMENT	OWN/LEASE	APPROXIMATE SQUARE FEET

INTERNATIONAL				
San Luis Potosi, Mexico	Manufacturing/Service	Freight Group	Lease	1,235,700
Doncaster, UK	Manufacturing/Service	Freight Group	Own	330,000
Stoney Creek, Ontario	Manufacturing/Service	Freight Group	Own	189,200
Acambaro, Mexico	Maintenance	Freight Group	Lease	132,300
Wallaceburg, Ontario	Foundry	Freight Group	Own	127,600
Wetherill Park, Australia	Manufacturing	Freight Group	Lease	73,100
San Luis Potosi, Mexico	Manufacturing	Freight Group	Own	48,600
Burlington, Ontario	Manufacturing	Freight Group	Own	46,200
Calgary, Alberta	Manufacturing	Freight Group	Own	38,000
Schweighouse, France	Manufacturing	Freight Group	Lease	30,000
Burlington, Ontario	Manufacturing	Freight Group	Own	28,200
Tottenham, Australia	Manufacturing	Freight Group	Lease	26,900
San Luis Potosi, Mexico	Manufacturing	Freight Group	Lease	20,200
Winnipeg, Manitoba	Service Center	Freight Group	Lease	20,000
St-Laurent, Quebec	Manufacturing	Transit Group	Own	106,000
Sassuolo, Italy	Manufacturing	Transit Group	Lease	30,000
Burton on Trent, UK	Manufacturing	Transit Group	Lease	18,000
Etobicoke, Ontario	Service Center	Transit Group	Lease	3,800

(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.

The above information does not include certain facilities previously announced to be closed during 2000. Leases on the above facilities are long-term and generally include options to renew.

ITEM 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings is included in Note 15 to the consolidated financial statements included in Part II, Item 8 of this report.

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

On November 19, 1999, a special meeting of the WABCO stockholders was held for consideration of and voting upon the proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger dated September 26, 1999, as amended, between the Westinghouse Air Brake Company and MotivePower Industries, Inc. The proposal was ultimately approved by the WABCO stockholders according to the results of voting as follows:

FOR	AGAINST	ABSTAIN
27,599,166	1,462,779	157,079

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information with respect to executive officers of the Company as of March 2000.

NAME	AGE	OFFICE WITH THE COMPANY
William E. Kassling	56	Director, Chairman and Chief Executive Officer
Gregory T. H. Davies	53	Director, President and Chief Operating Officer
Robert J. Brooks	55	Director, Executive Vice President and Chief Financial Officer, Secretary
Joseph S. Crawford, Jr.	55	Executive Vice President, Railroad
John M. Meister	52	Executive Vice President, Transit
Kevin P. Conner	42	Senior Vice President, Human Resources
Alvaro Garcia-Tunon	47	Senior Vice President, Finance
David L. Bonvenuto	32	Vice President, Controller
Timothy J. Logan	47	Vice President, International
George A. Socher	51	Vice President, Internal Audit and Taxation
Timothy R. Wesley	38	Vice President, Investor Relations and Corporate Communications

WILLIAM E. KASSLING has been a director, Chairman and Chief Executive Officer of the Company since 1990. Mr. Kassling was also President of WABCO from 1990 through February 1998. From 1984 until 1990 he headed the Railway Products Group of American Standard Inc. Between 1980 and 1984 he headed American Standard's Building Specialties Group and between 1978 and 1980 he headed Business Planning for American Standard. Mr. Kassling is a director of Aearo Corporation, Scientific Atlanta, Inc. and Commercial Intertech, Inc.

GREGORY T. H. DAVIES joined the Company in March 1998 as President and Chief Operating Officer and in February 1999 became a director. Prior to March 1998 Mr. Davies had been with Danaher Corporation since 1988, where he was Vice President and Group Executive responsible for its Jacobs Vehicle Systems, Delta Consolidated Industries and A.L. Hyde Corporation operating units. Prior to that, he held executive positions at Cummins Engine Company and Ford Motor Company.

ROBERT J. BROOKS has been a director, Executive Vice President and Chief Financial Officer, Secretary of the Company since 1990. From 1986 until 1990 he served as worldwide Vice President, Finance for the Railway Products Group of American Standard. Mr. Brooks is a director of Crucible Materials Corp.

JOSEPH S. CRAWFORD, JR. has been Executive Vice President, Railroad since November 1999. Mr. Crawford was Executive Vice President and Chief Operating Officer of MotivePower Industries, Inc. from October 1998 until November 1999. From December 1995 to October 1998, Mr. Crawford served as President of Boise Locomotive Company, a subsidiary of MotivePower Industries, Inc. From September

1994 until December 1995, he served as Executive Vice President, Locomotive Group of MotivePower Industries, Inc. and from May 1994 to September 1994 as Senior Vice President, Operations and Maintenance of MotivePower Industries, Inc.

JOHN M. MEISTER has been Vice President and General Manager of the Company's Transit Unit since 1990. In 1997, he was appointed to the newly created position of Executive Vice President, Transit Group. From 1985 until 1990 he was General Manager of the passenger transit business unit for the Railway Products Group of American Standard.

KEVIN P. CONNER has been Senior Vice President of Human Resources of the Company since November 1999. Previously, Mr. Conner was Vice President

of Human Resources of the Company since 1990. From 1986 until 1990, Mr. Conner was Vice President of Human Resources of the Railway Products Group of American Standard.

ALVARO GARCIA-TUNON has been Senior Vice President, Finance of the Company since November 1999. Mr. Garcia-Tunon was Vice President and Treasurer of the Company from August 1995 until November 1999. From 1990 until August 1995, Mr. Garcia-Tunon was Vice President of Business Development of Pulse Electronics, Inc.

DAVID L. BONVENUTO has been Vice President, Controller since November 1999. Previously, Mr. Bonvenuto was Vice President, Controller and Principal Accounting Officer of MotivePower Industries, Inc. from October 1998 until November 1999. From 1997 until October 1998, he served as Assistant Corporate Controller of MotivePower Industries, Inc. From 1990 to 1997, Mr. Bonvenuto was employed at KPMG Peat Marwick LLP.

TIMOTHY J. LOGAN has been Vice President, International since August 1996. From 1987 until August 1996, Mr. Logan was Vice President, International Operations for Ajax Magnethermic Corporation and from 1983 until 1987 he was President of Ajax Magnethermic Canada, Ltd.

GEORGE A. SOCHER has been Vice President, Internal Audit and Taxation of the Company since November 1999. Previously, from July 1995 until November 1999, Mr. Socher was Vice President and Corporate Controller of the Company. From 1994 until June 1995, Mr. Socher was Corporate Controller and Chief Accounting Officer of Sulcus Computer Corp. From 1988 until 1994 he was Corporate Controller of Stuart Medical Inc.

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. From February 1995 until August 1996, he served as Director, Investor and Public Relations of MotivePower Industries, Inc. From 1993 until February 1995, Mr. Wesley served as Director, Investor and Public Relations of Michael Baker Corporation.

The executive officers are affirmed annually by the Board of Directors of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is listed on the New York Stock Exchange. As of March 21, 2000, there were 51,791,767 shares of Common Stock outstanding held by 1,922 holders of record. The high and low sales price of the shares and dividends declared per share were as follows:

QUARTER	HIGH	LOW	DIVIDEND

1999			
Fourth	\$19.38	\$16.19	\$.01
Third	\$25.75	\$17.81	\$.01
Second	\$25.94	\$20.00	\$.01
First	\$23.63	\$17.75	\$.01

1998			
Fourth	\$24.81	\$19.25	\$.01
Third	26.75	17.13	\$.01
Second	29.81	24.00	\$.01
First	29.81	23.00	\$.01

The Company's credit agreement restricts the ability to make dividend payments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see Note 6 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

At the close of business on March 21, 2000, the Company's Common Stock traded at \$10.50 per share.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected consolidated financial information of the Company and has been derived from restated 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.

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	YEAR ENDED DECEMBER 31				
	1999	1998	1997	1996	1995
INCOME STATEMENT DATA					
Net sales.....	\$1,121,068	\$1,036,127	\$ 870,371	\$ 744,919	\$ 688,677
Gross profit (1)(2).....	331,979	300,501	258,460	210,196	140,891
Operating expenses.....	(172,322)	(155,472)	(133,867)	(106,246)	(102,702)
Merger and restructuring charge (2)...	(43,648)	--	--	--	--
Income from operations.....	\$ 116,009	\$ 145,029	\$ 124,593	\$ 103,950	\$ 38,189
Interest expense.....	\$ (44,420)	\$ (37,111)	\$ (34,892)	\$ (35,295)	\$ (40,600)
Other income (expense) (3).....	(90)	13,393	2,878	5,280	612
Income (loss) before extraordinary item.....	37,942	79,196	57,539	45,298	(5,307)
Net income (loss).....	\$ 36,623	\$ 73,851	\$ 57,539	\$ 44,234	\$ (6,689)
DILUTED EARNINGS PER COMMON SHARE					
Income (loss) before extraordinary item.....	\$ 0.86	\$ 1.79	\$ 1.30	\$ 0.99	\$ (0.12)
Net income (loss) (1) (2) (3).....	\$ 0.83	\$ 1.67	\$ 1.30	\$ 0.97	\$ (0.15)
Cash dividends declared per share....	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.01

	AS OF DECEMBER 31				
	1999	1998	1997	1996	1995
BALANCE SHEET DATA					
Total assets.....	\$ 996,676	\$ 967,382	\$ 693,981	\$ 597,280	\$ 544,355
Total debt.....	568,587	573,615	415,441	391,282	426,053
Shareholders' equity (deficit).....	181,878	144,076	65,285	44,785	(14,171)

- (1) In 1995, the Company had Unusual Items totaling \$40.8 million related to exiting the high-horsepower locomotive business, the impairment of the Mountaintop facility and the locomotive lease fleet, the disposition of one of the Company's Australian operations and other charges. The effect on diluted earnings per share was a charge of \$0.58. Without the effect of this charge, 1995 earnings would have been \$0.43 per diluted share.
- (2) In 1999, the Company recorded \$50.1 million, of which \$43.6 million is the operating expense component and \$5.2 million, the charge to gross profit; for a merger and restructuring charge pursuant to a plan that involves the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions, and the evaluation of certain assets as to their perceived ongoing benefit to the Company. The effect on diluted earnings per share was a charge of \$0.91. Without the effect of this charge, 1999 earnings would have been \$1.74 per diluted share.
- (3) In 1998, the Company sold its Argentine investment in Trenes de Buenos Aires S.A. and recognized an investment gain of \$8.4 million. The effect on diluted earnings per share was a gain of \$0.12. Without the effect of this gain, 1998 earnings would have been \$1.55 per diluted share.

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

OVERVIEW

Net income in 1999 was \$36.6 million, or \$0.83 per diluted share, as compared to \$73.9 million or \$1.67 per diluted share, in 1998. Excluding the merger and restructuring charge discussed below, Wabtec set financial records in 1999 with net income of \$77 million, earnings per diluted share of \$1.74 and net sales of \$1.1 billion. Net sales increased 8.2% in 1999 including the sales from companies acquired in late 1998 and 1999.

Gross margin in 1999 was 29.6% compared to 29% in 1998. After excluding the cost of sales component of the merger and restructuring charge, gross margins would have increased to 30.1%.

Operating margins in 1999 decreased to 10.3% as compared to 14% in 1998. After excluding the merger and restructuring charges that effect operating income, operating margins increased to 14.7% compared to that of the prior year.

MERGER AND RESTRUCTURING PLAN

The Company announced a merger and restructuring plan that is anticipated to yield synergies of \$15 million pre-tax in 2000 and produce an ongoing annualized benefit of \$25 million, pre-tax, by year-end 2000. The Company expects the benefits to be realized through reduced cost of sales and reduced selling, general and administrative expenses. The merger and restructuring plan involves the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions, and the evaluation of certain assets as to their perceived ongoing benefit to the Company. The Company estimates the charges to complete the merger and restructuring plan will total \$70 million pre-tax with approximately \$50 million of the charge being expensed in the fourth quarter of 1999. The \$50 million charge was recorded as follows: \$5.2 million in cost of sales; \$43.6 million as a separate line item in operating expenses and \$1.3 million (\$850,000 net of tax) as an extraordinary item. The cash and non-cash portion of the \$50 million charge are estimated to be \$38 million (\$29 million has been spent through the end of 1999) and \$12 million, respectively. Of the \$20 million charge left to be incurred, the Company expects the majority of this charge to occur in the second and third quarter of 2000 with the cash portion being approximately \$12 million to \$13 million of the charge.

The \$50 million charge included the following announced actions:

- Costs associated with the transaction for items such as investment bankers, legal fees, accountant fees, SEC fees, etc.
- Consolidation of the corporate headquarters to Wilmerding, PA and the elimination of duplicate corporate functions.
- Closing and moving of Young Radiators' Centerville, IA plant and consolidating the Young administrative offices into the Company's Jackson, TN facility.
- Closing of G&G Locotronic's plant in Itasca, IL and moving its production into the nearby Elk Grove Village, IL facility and to San Luis Potosi, Mexico.
- Implementing a national sales force and eliminating duplicate sales functions.

As of December 31, 1999, \$8.7 million of the \$50 million merger and restructuring-related charge was still remaining as accrued on the balance sheet. The accrual on the balance sheet is discussed in greater detail in Note 19 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

RESULTS OF OPERATIONS

The following table sets forth Wabtec's Consolidated Statements of Income for the years indicated. The 1999 adjusted column represents the 1999 income statement excluding the effects of the merger and restructuring charge.

IN THOUSANDS	YEAR ENDED DECEMBER 31,			
	ADJUSTED 1999	1999	1998	1997
Net sales	\$1,121,068	\$1,121,068	\$1,036,127	\$ 870,371
Cost of sales	(783,880)	(789,089)	(735,626)	(611,911)
Gross profit	337,188	331,979	300,501	258,460
Selling, general and administrative expenses	(121,990)	(121,990)	(113,581)	(97,908)
Merger and restructuring charges	--	(43,648)	--	--
Engineering expenses	(34,524)	(34,524)	(30,436)	(24,386)
Amortization expense	(15,808)	(15,808)	(11,455)	(11,573)
Total operating expenses	(172,322)	(215,970)	(155,472)	(133,867)
Income from operations	164,866	116,009	145,029	124,593
Interest expense	(44,420)	(44,420)	(37,111)	(34,892)
Investment income -- Argentina	--	--	10,362	2,003
Other (expense) income	(90)	(90)	3,031	875
Income before income taxes and extraordinary item	120,356	71,499	121,311	92,579
Income tax expense	(42,846)	(33,557)	(42,115)	(35,040)
Income before extraordinary item	77,510	37,942	79,196	57,539
Extraordinary loss on extinguishment of debt	(469)	(1,319)	(5,345)	--
Net income	\$ 77,041	\$ 36,623	\$ 73,851	\$ 57,539

1999 COMPARED TO 1998

Net sales increased 8.2% to \$1.1 billion in 1999 from \$1 billion in 1998. The increase was driven by acquisitions, primarily within the Freight Group, which contributed \$113 million of sales in 1999. Incremental revenue from the acquisitions, along with an increase in Transit Group sales, were partially offset by a slowdown in the locomotive overhaul market and in U.S. freight car deliveries which decreased slightly in 1999 to 74,223 from 75,685 in 1998. In 2000, the Company expects the OEM freight car and locomotive industries to deliver approximately 50,000 and 1,100 new freight cars and locomotives, respectively.

Cost of sales increased 7.3% to \$789.1 million in 1999 from \$735.6 million in 1998. Gross margin increased to 29.6% as compared to 29% in 1998. After excluding the cost of sales component of the merger and restructuring charge, gross margin would have increased to 30.1%. The increase is attributed to volume and a favorable product mix in the Freight Group component companies, and from the increased volume of the Transit Group.

Selling, general and administrative expenses increased 7.4% to \$122 million from \$113.6 million in 1998. Cost reductions and lower incentive-related expenses were offset by the operating expenses of acquired companies (\$18 million).

Engineering expenses increased 13.4% to \$34.5 million from \$30.4 million primarily as a result of the Rockwell acquisition in October 1998 and new product development efforts.

Amortization expense increased 38% to \$15.8 million in 1999 from \$11.5 million in 1998. The increase is primarily attributable to the acquisitions made late in 1998 (Rockwell Railroad Electronics division (Rockwell), October 1998 and Young Radiator (Young), November 1998) and the acquisitions made early in 1999 (G&G Locotronics and Q-Tron in January 1999 and AGC Technologies in February 1999).

Income from operations totaled \$116 million in 1999 compared with \$145 million in 1998 with operating margins of 10.3% and 14%, respectively. After excluding the operating expense component of the merger and restructuring charge, operating income would have been \$164.9 million and operating mar-

gins as a percentage of sales for 1999 increased to 14.7%, slightly higher than 14% in the prior year. Higher adjusted operating income resulted from higher sales volume and related gross profit. Favorable aftermarket sales volume at relatively strong operating margins in the Transit Group and the component companies in the Freight Group were the primary reasons for the increase in operating income (see Note 16 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report).

Interest expense increased 19.7% to \$44.4 million in 1999 from \$37.1 million in 1998. Debt, net of cash and equivalents, was \$562 million as of December 31, 1999 versus \$565 million as of December 31, 1998. The increase in interest expense, even though the net debt balance decreased, is due to Wabtec carrying a higher average debt balance in 1999 as a result of the late 1998 acquisitions (Rockwell -- \$80 million and Young -- \$68 million) and the 1999 acquisitions of G&G Locotronics, Q-Tron and AGC Technologies (\$32 million). Wabtec also funded cash transaction costs associated with the merger, which totaled about \$29 million.

Investment income -- Argentina represents income recognized related to an investment in Argentina which was sold in 1998 for cash and a secured note receivable.

Other expense of \$90,000 was recorded in 1999 versus other income of \$3 million in 1998. The fluctuation is due to foreign exchange gains/losses as a foreign exchange loss virtually offsetting in 1999 compared to a foreign exchange gain of \$2 million in 1998.

The Company recorded income tax expense of \$33.6 million as compared to \$42.1 million in 1998. The effective tax rate for 1999 was 46.9% as compared to 34.7% in 1998. After excluding the assumed tax benefit component of the merger and restructuring charge, Wabtec incurred income tax expense of \$43 million in 1999, or an effective tax rate of 35.6%, as compared to 34.7% in 1998. The 1998 rate was lower due to a non-recurring deferred tax liability reversal. Wabtec expects the ongoing rate to be approximately 36%. The Company has consolidated Mexican and United States federal net operating loss carryforwards of \$5 million and \$19 million expiring at various times through year 2005 and 2010, respectively.

In 1999, a \$469,000 extraordinary loss, net of tax, was incurred on the extinguishment of certain term debt as well as an \$850,000 extraordinary loss, net of tax, for the write-off of deferred financing fees on the refinancing of the Company's principal credit facility in November 1999 in connection with the merger. In 1998, Wabtec incurred a \$5.3 million extraordinary loss, net of tax, related to amending certain credit facilities.

1998 COMPARED TO 1997

Net sales increased 19% to \$1 billion in 1998 from \$870 million in 1997. Incremental revenues from acquisitions contributed \$85 million of the increase. Increased sales in the Freight Group were also positively impacted by OEM freight car deliveries increasing to 75,685 deliveries in 1998 from 50,396 deliveries in 1997, and an increase in locomotive overhauls and freight car work in the United States and Mexico in 1998.

Cost of sales increased 20.3% to \$735.6 million in 1998 from \$611.9 million in 1997. Gross margin decreased to 29% in 1998 from 29.7% in 1997. The primary reason for the decrease was because the incremental gross margin from the 1998 acquisitions was at a lower margin than the other subsidiaries.

Selling, general and administrative expenses increased 16% to \$113.6 million in 1998 from \$97.9 million in 1997. Operating expenses of acquisitions accounted for \$14 million of the increase while costs associated with preparing for year 2000 compliance were about \$3 million.

Engineering expenses increased 24.8% to \$30.4 million in 1998 from \$24.4 million in 1997. The increase was attributed to new product development in 1998.

Income from operations totaled \$145 million in 1998 compared with \$124.6 million in 1997. Higher operating income resulted from higher sales volume and related higher gross profit. As a percentage of sales, 1998 operating income was 14% and is slightly lower than 14.3% in the prior year. Favorable OEM sales volume at generally weaker operating margins in both the Freight and Transit Groups was the primary reason (see Note 16 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report).

Interest expense increased 6.4% to \$37.1 million in 1998 from \$34.9 million in 1997. Debt, net of cash and equivalents was \$565 million as of December 31, 1998 versus \$398 million as of December 31, 1997. The increase is attributed to the late 1998 acquisitions of Rockwell and Young.

Investment income--Argentina represents income recognized related to an investment in Argentina and was \$10 million in 1998 versus \$2 million in 1997. The increase is due to Wabtec selling its investment in Argentina for cash and a secured note receivable during 1998.

Other income of \$3 million was recorded in 1998 compared to other income of \$875,000 in 1997. The fluctuation is primarily due to a foreign exchange gain of \$2 million being recorded in 1998.

The Company recorded income tax expense of \$42.1 million in 1998 versus \$35 million in 1997. The effective income tax rate was 34.7% in 1998 compared to 37.8% in 1997. The decrease in the effective tax rate was primarily the result of the utilization of a Foreign Sales Corporation and a non-recurring reversal of a deferred tax liability in 1998.

In 1998, Wabtec incurred a \$5.3 million extraordinary loss, net of tax, related to the amending of certain credit facilities in the first and second quarter of 1998, and the repayment of our higher-rate Mexican facility in the fourth quarter of 1998.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is provided primarily by operating cash flow and borrowings under the Company's credit facilities with a consortium of commercial banks ("Credit Agreement"). The following is a summary of selected cash flow information and other relevant data.

IN THOUSANDS	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

Cash provided (used) by:			
Operating activities	\$ 77,389	\$ 73,411	\$104,262
Investing activities	(66,371)	(243,795)	(66,996)
Financing activities	(11,733)	161,941	(23,758)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	158,623	181,644	159,184
Adjusted EBITDA	207,480	181,644	159,184

Operating cash flow in 1999 was \$77.4 million as compared to \$73.4 million in the same period a year ago. During 1999, cash outlays for merger and restructuring activities were approximately \$29 million and are reported as a reduction to cash provided by operating activities. Excluding these cash outlays, cash provided by operating activities would have been approximately \$106.7 million, compared to \$73.4 million in 1998. This increase was primarily the result of improved working capital management. However, within the Freight Group, inventory levels increased due to strategic purchases of locomotive and parts cores used in exchange and overhaul programs and additionally within the Transit Group, production continues for anticipated future product deliveries related to the Metropolitan Transit Authority/New York City Transit project. Adjusted EBITDA, excluding the merger and restructuring charge, would have been \$207 million in 1999 as compared to \$182 million in 1998.

Cash used for investing activities declined in 1999 to \$66.4 million from \$243.8 million a year ago. In 1999, 1998 and 1997, the Company used \$32.2 million, \$180.2 million and \$24.8 million, respectively, for certain business acquisitions. Capital expenditures were \$30.8 million, \$57.8 million and \$44.2 million in 1999, 1998 and 1997, respectively. The majority of capital expenditures for these periods relates to upgrades to existing equipment, replacement of existing equipment and purchases of new equipment due to expansion of Wabtec's operations, where the Company believes overall cost savings can be achieved through increasing efficiencies. The Company expects 2000 capital expenditures for equipment purchased for similar purposes to approximate \$40-\$45 million.

Cash used for financing activities was \$11.7 million in 1999 versus cash provided by financing activities of \$161.9 million in 1998. As described below, the Company refinanced the pre-existing credit facilities of WABCO and MotivePower immediately following the merger in November 1999. Additionally, the Company issued \$75 million of senior notes in the first quarter of 1999 and used the proceeds to repay amounts outstanding on certain unsecured bank term debt and repaid a portion of the Company's previous revolving credit facility. Historically, the Company has financed the purchase of significant businesses utilizing the amounts available under its credit facilities.

The Company estimates the charges to complete the merger and restructuring plan will total \$70 million pre-tax with approximately \$50 million of the charge

being expensed in the fourth quarter of 1999. The cash and non-cash portion of the 1999 \$50 million charge were \$38 million and \$12 million, respectively. Of the \$20 million charge yet to be incurred, the Company expects the majority of this charge to occur in the second and third quarter of 2000 with the

cash portion being approximately \$12-\$13 million of the charge.

Based on anticipated cash flow provided by operations, forecasted results and credit available under the credit agreement, the Company believes it will be able to make planned capital expenditures and required debt payments over the next twelve months.

The following table sets forth the Company's outstanding indebtedness and average interest rates at December 31, 1999. The revolving credit note and other term loan interest rates are variable and dependent on market conditions. Interest on the Pulse note can vary with prime.

IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	1999	1998

Credit agreement		
Revolving credit	\$368,000	\$204,055
Term loan	--	202,500
9 3/8% Senior notes due		
June 15, 2005	175,000	100,000
Unsecured credit		
facility	--	30,000
Pulse note	16,990	16,990
Comet notes	--	10,200
5.5% Industrial revenue		
bond due 2008	6,749	7,298
Other	1,848	2,572
	-----	-----
Total	568,587	573,615
Less--current		
portion	743	41,128
	-----	-----
Long-term portion	\$567,844	\$532,487

Credit Agreement

In November 1999, in connection with the merger, WABCO terminated its then existing credit agreement and refinanced the then existing MotivePower credit agreement with a consortium of commercial banks. The credit agreement provides for a \$275 million five-year revolving credit facility and a 364-day \$275 million convertible revolving credit facility. At December 31, 1999, the Company had available borrowing capacity, net of letters of credit, of approximately \$158 million.

Under the credit agreement, the Company may elect a base rate, an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"), a cost of funds rate and a bid rate. The base rate is the greater of ABN AMRO Bank N.V.'s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is 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 cost of funds rate is a fluctuating interest rate based on ABN AMRO Bank N.V.'s then cost of funds. Under the bid rate option, any participating bank may propose the interest rate at which it will lend funds, which rate may either be a fixed rate or a floating rate based on LIBOR.

The 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, whether in cash, property, securities or a combination thereof. One exception to this restriction is that the Company may make repurchases and redemptions, and pay dividends (net of dividends on unallocated shares of Common Stock of the Company that are returned to the Company) in an aggregate amount not to exceed 50% of the Company's accumulated consolidated net income for that fiscal year. The credit agreement contains various other covenants and restrictions including, without limitation, the following: a limitation on the incurrence of additional indebtedness; a limitation on mergers, consolidations and sales of assets and acquisitions; a limitation on liens; a limitation on sale and leasebacks; a limitation on investments, loans and advances; a limitation on certain debt payments; a limitation on capital expenditures; a minimum interest expense coverage ratio; and a maximum debt to cash flow ratio.

The credit agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and "change of control" of the Company.

Credit agreement borrowings bear variable interest rates indexed to common indexes such as LIBOR. The weighted-average contractual interest rate on credit agreement borrowings was 7.36% at December 31, 1999. To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company

entered into interest rate swaps which effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. On December 31, 1999, the notional value of interest rate swaps outstanding totaled \$50 million and effectively changed the Company's interest rate from a variable rate to a fixed rate of 7.33%. The interest rate swap agreements mature in 2000 and

2001. The Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions and the Company does not anticipate nonperformance.

9 3/8% Senior Notes Due June 2005

In June 1995, the Company issued \$100 million of 9 3/8% Senior Notes due in 2005 (the "1995 Notes"). In January 1999, the Company issued an additional \$75 million of 9 3/8% Senior Notes which are due in 2005 (the "1999 Notes"; the 1995 Notes and the 1999 Notes are collectively, the "Notes"). The 1999 Notes were issued at a premium resulting in an effective rate of 8.5%. The terms of the 1995 Notes and the 1999 Notes are substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that are substantially the same. The issuance of the 1999 Notes improved the Company's financial liquidity by i) using a portion of the proceeds to repay \$30 million of debt associated with the Rockwell acquisition that bore interest at 9.56%; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility; and iii) repaying the remaining unpaid principal of \$10.2 million from the Comet acquisition.

The Notes are senior unsecured obligations of the Company and rank pari passu in right of payment with all existing and future indebtedness under (i) capitalized lease obligations, (ii) the Credit Agreement, (iii) indebtedness of the Company for money borrowed and (iv) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable unless, in the case of clause (iii) or (iv), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are subordinate in right of payment to the Notes.

Unsecured Credit Facility

In October 1998, the Company obtained a \$30 million unsecured credit facility from a group of commercial banks for the purpose of financing the Rockwell acquisition. In January 1999, this facility was repaid with proceeds of the 1999 Notes offering.

Pulse Note

As partial payment for the Pulse acquisition, the Company issued a \$17 million note due January 31, 2004, with interest at 9.5%. In January 2000, this note was repaid with our revolving credit facility.

Comet Notes

In connection with the Comet acquisition, the Company issued notes totaling \$12.2 million, of which unsecured notes totaling \$6.2 million were delivered by the Company and a note in the amount of \$6 million was delivered by a subsidiary of the Company and secured by the acquired assets. These notes were repaid in January 1999 with proceeds of the 1999 Notes offering.

Industrial Revenue Bond

In July 1998, a subsidiary of the Company entered into a 10-year \$7.5 million debt obligation that bears an interest rate of 5.5% to provide financing for the purchase of a building used in the Company's operations.

Principal repayments of outstanding loan balances are due at various intervals until maturity. See Note 6 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report.

ESOP

In connection with the establishment of the ESOP in January 1995, the Company made a \$140 million loan to the ESOP (the "ESOP Loan"), which was used to purchase 9,336,000 shares of the Company's outstanding common stock. The ESOP Loan had an original term of 50 years, with annual payments of principal and interest of approximately \$12 million. The ESOP Loan bears interest at 8.5% per annum. The ESOP will repay the ESOP Loan using contributions from the Company. The Company is obligated to contribute amounts sufficient to repay the ESOP Loan. The net effect of the ESOP is that the Company's Common Stock is allocated to employees in lieu of a retirement plan that was previously a cash-based defined benefit plan and, accordingly, results in reduced annual cash outlays by an estimated \$3 million to \$4 million.

Management believes, based upon current levels of operations and forecasted earnings, that cash flow from operations, together with borrowings under the credit agreement, will be adequate to make payments of principal and interest on debt, including the Notes,

to make required contributions to the ESOP, to permit anticipated capital expenditures, and to fund working capital requirements and other cash needs for the foreseeable future, including 2001. Overall, increases in financial liquidity was primarily the result of changing the base available for borrowing under the November 1999 refinanced Credit Agreement. The issuance of 1999 Notes also increased the Company's liquidity by reducing its outstanding revolving credit borrowings and thereby increasing its available borrowing capacity.

Nevertheless, the Company will remain leveraged to a significant extent and its debt service obligations will continue to be substantial. The debt of the Company requires the dedication of a substantial portion of future cash flows to the payment of principal and interest on indebtedness, thereby reducing funds available for capital expenditures and future business opportunities that the Company believes are available. Cash flow and liquidity will be sufficient to meet its debt service requirements. If the Company's sources of funds were to fail to satisfy the Company's cash requirements, the Company may need to refinance its 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.

EFFECTS OF YEAR 2000

The Company has information system improvement initiatives in process that include both new computer hardware and software applications. The new system is substantially operational and is Year 2000 compliant. The cost of the project will be approximately \$17 million with the majority of costs previously incurred.

Based on information available to date, Wabtec has not experienced any significant events attributable to Year 2000 issues. The Company will continue to monitor for potential issues at Wabtec, its customers and suppliers, in order to permit a rapid response should any issues arise. The impact of Year 2000 issues will continue to depend on the way the issues have been addressed by third parties that provide products and services to us. The Company believes that if any Year 2000 issues were to arise, they would not have a significant impact on its operations.

Wabtec does not expect to incur significant direct costs related to the Year 2000 issue during the current year.

EFFECTS OF INFLATION; SEASONALITY

General price inflation has not had a material impact on the Company's results of operations. Some of the Company's labor contracts contain negotiated salary and benefit increases and others contain cost of living adjustment clauses, which would cause the Company's cost automatically to increase if inflation were to become significant. The Company's business is not seasonal, although the third quarter results may be impacted by vacation and plant shut-downs at several of its major customers during this period.

CONVERSION TO THE EURO CURRENCY

On January 1, 1999, certain members of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (the "Euro"). The Company conducts business in member countries. The transition period for the introduction of the Euro is from January 1, 1999 through June 30, 2002. The Company is assessing the issues involved with the introduction of the Euro; however, it does not expect conversion to the Euro to have a material impact on its operations or financial results.

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 you 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

- materially adverse changes in economic or industry conditions generally or in the markets served by us, including North America, South America, Europe, Australia and Asia;

- demand for services in the freight and passenger rail industry;
- consolidations in the rail industry;
- demand for our products and services;
- continued outsourcing by our customers;
- demand for freight cars, locomotives, passenger transit cars and buses;
- industry demand for faster and more efficient braking equipment;
- fluctuations in interest rates;

Operating Factors

- supply disruptions;
- technical difficulties;
- changes in operating conditions and costs;
- successful introduction of new products;
- labor relations;
- completion and integration of additional acquisitions;
- the development and use of new technology;
- year 2000 disruptions;

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;
- governmental funding for some of our customers;
- political developments and laws and regulations, such as forced divestiture of assets, restrictions on production, imports or exports, price controls, tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, and environmental regulations;

Transaction or Commercial Factors

- the outcome of negotiations with partners, governments, suppliers, customers or others; and
- our ability to complete the integration of the Westinghouse Air Brake and MotivePower businesses so as to achieve the stated synergies.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RECENT ACCOUNTING PRONOUNCEMENTS

Derivative Instruments and Hedging Activities In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activity", was issued. SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133" is effective for financial statements for fiscal quarters of fiscal years beginning after June 15, 2000. The Company has not yet determined the effect of this standard on its financial statements.

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 \$320 million of variable-rate debt (including the effects of interest rate swaps), which represents 56% of total long-term debt at December 31, 1999. Management has entered into pay-fixed, receive-variable interest rate swap contracts that partially mitigate the impact of variable-rate debt interest rate increases (see Note 6 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). At December 31, 1999, an instantaneous 100 basis point increase in interest rates would reduce the Company's annual earnings by \$2.1 million, assuming no additional intervention strategies by management.

FOREIGN CURRENCY EXCHANGE RISK

The Company routinely enters into several types of financial instruments for the purpose of managing its exposure to foreign currency exchange rate fluctuations in countries in which the Company has significant operations. As of December 31, 1999, the Company had no such instruments outstanding.

Wabtec is also subject to certain risks associated with changes in foreign currency exchange rates to the extent its operations are conducted in currencies other than the U.S. dollar. At December 31, 1999, approximately 74% of Wabtec's net sales are in the United States, 9% in Canada, 7% in Mexico, and 10% in other international locations, primarily Europe. (See Note 16 to "Notes to Consolidated Financial Statements" included in Part II, Item 8 of this report). At December 31, 1999, the Company does not believe changes in foreign currency exchange rates represent a material risk to results of operations, financial position, or liquidity.

ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

Financial statements and supplementary data are set forth in Item 14, of Part IV hereof.

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

None.

PART III

ITEMS 10 THROUGH 13.

In accordance with the provisions of General Instruction G to Form 10-K, the information required by Item 10 (Directors and Executive Officers of the Registrant), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management) and Item 13 (Certain Relationships and Related Transactions) is incorporated herein by reference to the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 24, 2000. The definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1999. Information relating to the executive officers of the Company is set forth in Part I.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

	PAGE

(a) (1) FINANCIAL STATEMENTS	
Reports of Independent Public Accountants	26-27
Consolidated Balance Sheets as of December 31, 1999 and 1998	28
Consolidated Statements of Operations for the three years ended December 31, 1999, 1998 and 1997	29
Consolidated Statements of Cash Flows for the three years ended December 31, 1999, 1998 and 1997	30
Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1999, 1998 and 1997	31
Notes to Consolidated Financial Statements	32-50
(2) FINANCIAL STATEMENT SCHEDULES	
Report of Independent Public Accountants	52
Schedule II -- Valuation and Qualifying Accounts	56
(b) REPORTS ON FORM 8-K	
The Company filed the Current Report on Form 8-K on the dates below pertaining to the following items:	
On November 30, 1999, reported the November 19, 1999 merger with MotivePower Industries, Inc. (Items 2 and 7).	
On January 14, 2000, text of press release announcing the fourth quarter 1999 earnings expectation, earnings expectation for the year 2000 and merger-related expected synergies for year 2000 (Items 5 and 7).	
On January 27, 2000, amendment to Form 8-K dated November 30, 1999 regarding the acquisition of MotivePower Industries, Inc. Financial Statements and Proforma Financial Information (Item 7).	
(c) EXHIBITS	FILING METHOD

2.1 Exhibits Amended and Restated Agreement and Plan of Merger, as amended (originally included as Annex A to the Joint Proxy Statement/Prospectus)	8
3.1 Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995	2
3.3 Amended and Restated By-Laws of the Company, effective November 19, 1999	8
4.1 Form of Indenture between the Company and The Bank of New York with respect to the public offering of \$100,000,000 of 9 3/8% Senior Notes due 2005	2
4.2 Form of Note (included in Exhibit 4.1)	2
4.3 First Supplemental Indenture dated as of March 21, 1997 between the Company and The Bank of New York	5
4.4 Indenture dated as of January 12, 1999 by and between the Company and The Bank of New York with respect to the private offering of \$75,000,000 of 9 3/8% Senior Notes due 2005, Series B	7
4.5 Form of Note (included in Exhibit 4.4)	7
10.1 MotivePower Stock Option Agreement (originally included as Annex B to the Joint Proxy Statement/Prospectus)	8

(C)	EXHIBITS	FILING METHOD

10.2	Westinghouse Air Brake Stock Option Agreement (originally included as Annex C to the Joint Proxy Statement/Prospectus)	8
10.3	Voting Agreement dated as of September 26, 1999 among William E. Kassling, Robert J. Brooks, Harvard Private Capital Holdings, Inc. Vestar Equity Partners, L.P. and MotivePower Industries, Inc. (originally included as Annex D to the Joint Proxy Statement/Prospectus)	8
10.5	Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust, effective January 31, 1995	2
10.6	ESOP Loan Agreement dated January 31, 1995 between Westinghouse Air Brake Company Employee Stock Ownership Trust ("ESOP") and the Company (Exhibits omitted)	2
10.7	Employee Stock Ownership Trust Agreement dated January 31, 1995 between the Company and U.S. Trust Company of California, N.A.	2
10.8	Pledge Agreement dated January 31, 1995 between ESOT and the Company	2
10.9	Amended and Restated Refinancing Credit Agreement dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York (Schedules and Exhibits omitted.)	1
10.10	Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the RAC Voting Trust ("Voting Trust"), Vestar Equity Partners, L.P ("Vestar Equity")., Harvard Private Capital Holdings, Inc. ("Harvard"), American Industrial Partners Capital Fund II, L.P. ("AIP") and the Company	5
10.11	Common Stock Registration Rights Agreement dated as of January 31, 1995 among the Company, Scandinavian Incentive Holding B.V. ("SIH"), Voting Trust, Vestar Equity, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc., the Pulse Shareholders and ESOT (Schedules and Exhibits omitted)	2
10.12	Indemnification Agreement dated January 31, 1995 between the Company and the Voting Trust Trustees	2
10.13	Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc., dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)	2
10.14	Letter Agreement (undated) between the Company and American Standard Inc. on environmental costs and sharing	2
10.15	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
10.16	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
10.17	License Agreement dated as of December 31, 1993 between SAB WABCO Holdings B.V. and the Company	2
10.18	Letter Agreement dated as of January 19, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.19	Westinghouse Air Brake Company 1995 Stock Incentive Plan, as amended	7
10.20	Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended	1

(C)	EXHIBITS	FILING METHOD

10.21	Employment Agreement between William E. Kassling and the Company	2
10.22	Letter Agreement dated as of January 1, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.23	Form of Indemnification Agreement between the Company and Authorized Representatives	2
10.24	Share Purchase Agreement between Futuris Corporation Limited and the Company (Exhibits omitted)	2
10.25	Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries, Inc., Mark IV PLC, and W&P Holding Corp. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.01)	3
10.26	Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries Limited and Westinghouse Railway Holdings (Canada) Inc. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.02)	3
10.27	Amendment No. 1 to Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the Voting Trust, Vestar, Harvard, AIP and the Company	5
10.28	Common Stock Registration Rights Agreement dated as of March 5, 1997 among the Company, Harvard, AIP and the Voting Trust	5
10.29	1998 Employee Stock Purchase Plan	7
10.30	Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company (Schedules and Exhibits omitted) (Originally filed as Exhibit No. 2.01)	6
10.31	Amendment No. 1 dated as of October 5, 1998 to Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company (Originally filed as Exhibit No. 2.02)	6
10.32	Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan	1
21	List of subsidiaries of the Company	1
23	Consent of Arthur Andersen LLP	1
23.1	Consent of Deloitte & Touche LLP	1
27	Financial Data Schedule for the Twelve Months Ending December 31, 1999	1
27.1	Restated Financial Data Schedule for the Three Months Ending March 31, 1999	1
27.2	Restated Financial Data Schedule for the Six Months Ending June 30, 1999	1
27.3	Restated Financial Data Schedule for the Nine Months Ending September 30, 1999	1
27.4	Restated Financial Data Schedule for the Twelve Months Ending December 31, 1998	1
27.5	Restated Financial Data Schedule for the Three Months Ending March 31, 1998	1
27.6	Restated Financial Data Schedule for the Six Months Ending June 30, 1998	1
27.7	Restated Financial Data Schedule for the Nine Months Ending September 30, 1998	1
27.8	Restated Financial Data Schedule for the Twelve Months Ending December 31, 1997	1
99	Annual Report on Form 11-K for the year ended December 31, 1999 of the Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust	1
99.1	LIFO Preferability Letter from Arthur Andersen LLP	1

FILING METHOD

- 1 Filed herewith.
- 2 Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866).
- 3 Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 3, 1996.
- 4 Filed as an exhibit to the Company's Registration Statement on Form S-8 (No. 333-39159).
- 5 Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1997.
- 6 Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 5, 1998.
- 7 Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1998.
- 8 Filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO 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 (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cashflows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. For the years ended December 31, 1998 and 1997, we did not audit the consolidated financial statements of MotivePower Industries, Inc., a company acquired during 1999 in a transaction accounted for as a pooling-of-interests, as discussed in Note 4. Such statements are included in the consolidated financial statements of Westinghouse Air Brake Technologies Corporation and reflect total assets and total revenues of 38 percent and 35 percent in 1998, and 41 percent and 35 percent in 1997, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts included for MotivePower Industries, Inc, is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Westinghouse Air Brake Technologies Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
February 15, 2000

INDEPENDENT AUDITOR'S REPORT

TO THE STOCKHOLDERS AND BOARD OF
DIRECTORS OF MOTIVEPOWER INDUSTRIES, INC.:

We have audited the consolidated balance sheets of MotivePower Industries, Inc. and subsidiaries as of December 31, 1998 and the related consolidated statements of income, cash flows and stockholders' equity for each of the two years in the period ended December 31, 1998, not separately presented herein. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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, such consolidated financial statements present fairly, in all material respects, the financial position of MotivePower Industries, Inc. and subsidiaries as of December 31, 1998, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
February 11, 1999 (March 2, 1999 as to Note 18)

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS

IN THOUSANDS, EXCEPT SHARE AND PAR VALUE	DECEMBER 31	
	1999	1998
ASSETS		
CURRENT ASSETS		
Cash.....	\$ 7,056	\$ 8,983
Accounts receivable.....	179,734	190,160
Inventories.....	211,396	196,553
Deferred taxes.....	26,173	19,771
Other.....	12,889	19,617
Total current assets.....	437,248	435,084
Property, plant and equipment.....	395,687	364,469
Accumulated depreciation.....	(172,996)	(145,231)
Property, plant and equipment, net.....	222,691	219,238
OTHER ASSETS		
Prepaid pension costs.....	9,178	8,817
Underbillings.....	27,710	26,775
Goodwill.....	233,760	211,358
Other intangibles.....	43,287	49,914
Other noncurrent assets.....	22,802	16,196
Total other assets.....	336,737	313,060
Total Assets.....	\$ 996,676	\$ 967,382
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt.....	\$ 743	\$ 41,128
Accounts payable.....	87,388	97,267
Accrued merger and restructuring.....	8,705	--
Accrued income taxes.....	5,155	8,352
Customer deposits.....	31,827	21,600
Accrued compensation.....	15,754	23,675
Accrued warranty.....	26,832	22,985
Other accrued liabilities.....	17,808	29,478
Total current liabilities.....	194,212	244,485
Long-term debt.....	567,844	532,487
Reserve for postretirement and pension benefits.....	19,918	20,166
Deferred income taxes.....	8,054	4,022
Commitments and contingencies.....	18,933	19,205
Other long-term liabilities.....	5,837	2,941
Total liabilities.....	814,798	823,306
SHAREHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, no shares issued.....	--	--
Common stock, \$.01 par value; 100,000,000 shares authorized: 65,447,867 shares issued and 51,529,331 outstanding at December 31, 1999 and 65,162,297 shares issued and 51,630,205 outstanding at December 31, 1998.....	654	652
Additional paid-in capital.....	318,357	314,155
Treasury stock, at cost, 13,918,536 and 13,532,092 shares, respectively.....	(201,711)	(192,190)
Unearned ESOP shares, at cost, 8,366,076 and 8,564,811 shares, respectively.....	(125,491)	(128,472)
Retained earnings.....	194,772	159,135
Deferred compensation.....	6,595	3,951
Accumulated other comprehensive income (loss).....	(11,298)	(13,155)
Total shareholders' equity.....	181,878	144,076
Liabilities and Shareholders' Equity.....	\$ 996,676	\$ 967,382

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

IN THOUSANDS, EXCEPT PER SHARE DATA	YEAR ENDED DECEMBER 31		
	1999	1998	1997
Net sales.....	\$1,121,068	\$1,036,127	\$ 870,371
Cost of sales.....	(789,089)	(735,626)	(611,911)
Gross profit.....	331,979	300,501	258,460
Selling, general and administrative expenses.....	(121,990)	(113,581)	(97,908)
Merger and restructuring charges.....	(43,648)	--	--
Engineering expenses.....	(34,524)	(30,436)	(24,386)
Amortization expense.....	(15,808)	(11,455)	(11,573)
Total operating expenses.....	(215,970)	(155,472)	(133,867)
Income from operations.....	116,009	145,029	124,593
Other income and expenses			
Interest expense.....	(44,420)	(37,111)	(34,892)
Investment income-Argentina.....	--	10,362	2,003
Other (expense) income, net.....	(90)	3,031	875
Income before income taxes and extraordinary item.....	71,499	121,311	92,579
Income tax expense.....	(33,557)	(42,115)	(35,040)
Income before extraordinary item.....	37,942	79,196	57,539
Extraordinary loss on extinguishment of debt, net of tax.....	(1,319)	(5,345)	--
Net income.....	\$ 36,623	\$ 73,851	\$ 57,539
EARNINGS PER COMMON SHARE			
Basic			
Income before extraordinary item.....	\$ 0.88	\$ 1.85	\$ 1.33
Extraordinary item.....	(0.03)	(0.13)	--
Net income.....	\$ 0.85	\$ 1.72	\$ 1.33
Diluted			
Income before extraordinary item.....	\$ 0.86	\$ 1.79	\$ 1.30
Extraordinary item.....	(0.03)	(0.12)	--
Net income.....	\$ 0.83	\$ 1.67	\$ 1.30
Weighted average shares outstanding			
Basic.....	43,287	42,750	43,210
Diluted.....	44,234	44,141	44,200

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

IN THOUSANDS	YEAR ENDED DECEMBER 31		
	1999	1998	1997
OPERATING ACTIVITIES			
Net income.....	\$ 36,623	\$ 73,851	\$ 57,539
Adjustments to reconcile net income to cash provided by operations:			
Extraordinary loss on extinguishment of debt.....	1,319	5,345	--
Depreciation and amortization.....	42,614	36,615	34,591
Provision for ESOP contribution.....	4,078	4,472	3,229
Deferred income taxes.....	8,189	6,283	2,980
Other, primarily non-cash portion of merger and restructuring charges.....	8,907	--	--
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable.....	16,611	(42,419)	(12,671)
Inventories.....	(12,875)	(20,426)	1,732
Underbillings.....	(935)	5,523	(12,737)
Accounts payable.....	(13,661)	22,316	22,119
Accrued income taxes.....	(2,897)	12,025	(3,370)
Accrued liabilities and customer deposits.....	(9,004)	(22,609)	13,029
Commitments and contingencies.....	(272)	3,653	(2,842)
Other assets and liabilities.....	(1,308)	(11,218)	663
Net cash provided by operating activities.....	77,389	73,411	104,262
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, net.....	(30,808)	(57,838)	(44,197)
Acquisitions of businesses, net of cash acquired.....	(32,242)	(180,199)	(24,770)
Other.....	(3,321)	(5,758)	1,971
Net cash used for investing activities.....	(66,371)	(243,795)	(66,996)
FINANCING ACTIVITIES			
(Repayments of) proceeds from credit agreements.....	(38,555)	109,668	24,714
Proceeds from senior notes offering.....	75,000	--	--
Repayments of other borrowings.....	(41,473)	48,506	(555)
Decrease (increase) in restricted cash.....	--	5,194	(2,550)
Debt issuance fees.....	--	(3,819)	(4,161)
Purchase of treasury stock.....	(10,630)	--	(44,000)
Cash dividends.....	(986)	(980)	(1,009)
Proceeds from exercise of stock options and other benefit plans.....	4,911	3,372	5,922
Other.....	--	--	(2,119)
Net cash (used for) provided by financing activities.....	(11,733)	161,941	(23,758)
Effect of changes in currency exchange rates.....	(1,212)	(307)	(1,629)
(Decrease) increase in cash.....	(1,927)	(8,750)	11,879
Cash, beginning of year.....	8,983	17,733	5,854
Cash, end of year.....	\$ 7,056	\$ 8,983	\$ 17,733

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands	COMPREHENSIVE INCOME	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	UNEARNED ESOP SHARES	RETAINED EARNINGS	DEFERRED COMPENSATION
BALANCE, DECEMBER 31, 1996		\$650	\$305,982	\$(149,331)	\$(133,914)	\$ 29,734	\$ (123)
Cash dividends.....						(1,009)	
Purchase of treasury stock.....				(44,000)			
Stock issued under option, benefit and other plans, net of tax effect.....		2	4,787	2,674			(658)
Allocation of ESOP shares, net of tax effect.....			362		2,641		
Net income.....	\$57,539					57,539	
Translation adjustment.....	(1,838)						
	<u>\$55,701</u>						
BALANCE, DECEMBER 31, 1997		652	311,131	(190,657)	(131,273)	86,264	(781)
Cash dividends.....						(980)	
Compensatory stock options granted through a Rabbi Trust.....				(4,536)			4,536
Stock issued under option, benefit and other plans, net of tax effect.....			1,988	3,003			196
Allocation of ESOP shares, net of tax effect.....			1,036		2,801		
Net income.....	\$73,851					73,851	
Translation adjustment.....	(3,104)						
	<u>\$70,747</u>						
BALANCE, DECEMBER 31, 1998		652	314,155	(192,190)	(128,472)	159,135	3,951
Cash dividends.....						(986)	
Purchase of treasury stock.....				(10,630)			
Compensatory stock options granted through a Rabbi Trust.....				(2,091)			2,091
Stock issued under option, benefit and other plans, net of tax effect.....		2	3,522	3,200			553
Allocation of ESOP shares, net of tax effect.....			680		2,981		
Net income.....	\$36,623					36,623	
Translation adjustment.....	1,857						
	<u>\$38,480</u>						
BALANCE, DECEMBER 31, 1999		\$654	\$318,357	\$(201,711)	\$(125,491)	\$194,772	\$6,595

In thousands	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
BALANCE, DECEMBER 31, 1996	\$ (8,213)
Cash dividends.....	
Purchase of treasury stock.....	
Stock issued under option, benefit and other plans, net of tax effect.....	
Allocation of ESOP shares, net of tax effect.....	
Net income.....	
Translation adjustment.....	(1,838)
	<u>(10,051)</u>
BALANCE, DECEMBER 31, 1997	(10,051)
Cash dividends.....	
Compensatory stock options granted through a Rabbi Trust.....	
Stock issued under option, benefit and other plans, net of tax effect.....	
Allocation of ESOP shares, net of tax effect.....	
Net income.....	
Translation adjustment.....	(3,104)

BALANCE, DECEMBER 31, 1998	(13,155)
Cash dividends.....	
Purchase of treasury stock.....	
Compensatory stock options granted through a Rabbi Trust.....	
Stock issued under option, benefit and other plans, net of tax effect.....	
Allocation of ESOP shares, net of tax effect.....	
Net income.....	
Translation adjustment.....	1,857

BALANCE, DECEMBER 31, 1999	\$(11,298)
	=====

The accompanying notes are an integral part of these statements

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Westinghouse Air Brake Technologies Corporation (the "Company") is one of North America's largest manufacturers of value-added equipment for locomotives, railway freight cars and passenger transit vehicles. The Company was formed in November 1999 from the merger of Westinghouse Air Brake Company and MotivePower Industries, Inc. Our major products are intended to enhance safety, improve productivity and reduce maintenance costs for our customers. Our major product offerings include electronic controls and monitors, air brakes, traction motors, cooling equipment, turbochargers, low-horsepower locomotives, couplers, door controls, draft gears and brake shoes. We aggressively pursue technological advances with respect to both new product development and product enhancements. The Company has its headquarters in Wilmerding, Pennsylvania and has approximately 6,500 employees at facilities throughout the world.

A portion of the Company's Freight Group's operations and revenue base is generally dependent on the capital replacement cycles for locomotives and freight cars of the large North American-based railroad companies. The Company's Passenger Transit Group's operations are dependent on the budgeting and expenditure appropriation process of federal, state and local governmental units for mass transit needs established by public policy.

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 the subsidiaries are billed at prices consistent with sales to third parties and are eliminated in consolidation. All prior period financial statements and footnote disclosures have been restated in accordance with Accounting Principles Board Number 16 "Business Combinations" related to the merger between WABCO and MotivePower accounted for as a pooling-of-interests (See Note 4).

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 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.

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. Cores inventory is defined as inventory units designated for unit exchange programs. The components of inventory, net of reserves, were:

IN THOUSANDS	DECEMBER 31, 1999	1998

Cores	\$ 29,999	\$ 14,765
Raw materials	99,948	91,588
Work-in-process	47,319	44,376
Finished goods	34,130	45,824
	-----	-----
Total inventory	\$211,396	\$196,553

In conjunction with the merger between WABCO and MotivePower, companies that previously utilized the last-in first-out method in determining inventory cost adopted the FIFO method. The effect on the current year consolidated financial statements was not significant to the consolidated financial statements taken as a whole.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment additions are stated at cost. Expenditures for renewals and betterments are capitalized. Expenditures for ordinary maintenance and repairs are expensed as incurred. The Company provides for book depreciation principally on the straight-line method over the following estimated useful lives of plant, property and equipment.

YEARS

Land and improvements	10 to 20

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

Accelerated depreciation methods are utilized for income tax purposes. The major classes of depreciable assets are as follows:

IN THOUSANDS	DECEMBER 31,	
	1999	1998

Machinery and equipment	\$ 245,199	\$ 226,647
Buildings and improvements	132,276	120,784
Land and improvements	14,266	14,037
Locomotive leased fleet	3,946	3,001

Plant, property & equipment, cost	395,687	364,469
Less accumulated depreciation	(172,996)	(145,231)

	\$ 222,691	\$ 219,238

INTANGIBLE ASSETS Goodwill is amortized on a straight-line basis over 40 years. Other intangibles are amortized on a straight-line basis over their estimated economic lives. Goodwill and other intangible assets, including patents and tradenames, are periodically reviewed for impairment based on an assessment of future operations (see Note 5).

REVENUE RECOGNITION Revenue is recognized when products have been shipped to the respective customers 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. Contract revenues and cost estimates are reviewed and revised at a minimum quarterly and adjustments are reflected in the accounting period as known. Provisions are made currently for estimated losses on uncompleted contracts.

Costs and estimated earnings in excess of billings ("underbillings") and billings in excess of costs and estimated earnings ("overbillings") on the contract in progress are recorded on the balance sheet and are classified as non-current (see Note 20).

STOCK-BASED COMPENSATION The Company accounts for stock-based compensation, including stock options and employee stock purchases, under APB Opinion No. 25, "Accounting for Stock Issued to Employees" (see Note 11 for related pro forma disclosures).

RESEARCH AND DEVELOPMENT Research and development costs are charged to expense as incurred. For the years ended December 31, 1999, 1998 and 1997, the Company incurred costs of approximately \$34.5 million, \$30.4 million, and \$24.4 million, respectively.

WARRANTY COSTS Warranty costs are accrued based on management's estimates of repair or upgrade costs per unit and historical experience. In recent years, the Company has introduced several new products. The Company does not have the same level of historical warranty experience for these new products as it does for its continuing products. Therefore, warranty reserves have been established for these new products based upon management's estimates. Actual future results may vary from such estimates. Warranty expense was \$10.8 million, \$14 million and \$14.1 million for 1999, 1998 and 1997, respectively. Warranty reserves were \$26.8 million and \$23 million at December 31, 1999 and 1998, respectively.

FINANCIAL DERIVATIVES The Company periodically enters into interest rate swap agreements to reduce the impact of interest rate changes on its variable rate borrowings. Interest rate swaps are agreements with a counterparty to exchange periodic interest payments (such as pay fixed, receive variable) calculated on a notional principal amount. The interest rate differential to be paid or received is accrued to interest expense (see Notes 6 and 17).

In addition, the Company periodically enters into foreign exchange forward contracts. These contracts are legal agreements between two parties to purchase and sell a foreign currency for a specified price at the contract date, with delivery and settlement in the future. The Company uses such contracts to hedge the risk of foreign currency exchange rates associated with certain assets and obligations. Changes in the market value of the forward contracts are recognized in income when the related changes in the price of the hedged item are recognized.

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 bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The provision for income taxes includes federal, state and foreign income taxes (see Note 9).

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 Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." The effects of currency exchange rate changes on intercompany transactions 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 amounts are charged or credited to earnings.

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). See Note 10.

OTHER COMPREHENSIVE INCOME In 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" which established standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is defined as net income and all other nonowner changes in shareholders' equity. The Company's accumulated other comprehensive income (loss) consists entirely of foreign currency translation adjustments.

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, and 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 1999, 1998 or 1997. The allowance for doubtful accounts was \$4 million and \$3.5 million as of December 31, 1999 and 1998, respectively.

EMPLOYEES As of December 31, 1999, approximately 36% of the Company's workforce was covered by collective bargaining agreements. These agreements are generally effective through 2001 and 2002.

DEFERRED COMPENSATION AGREEMENTS In May 1998, a consensus on Emerging Issues Task Force Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" ("EITF 97-14"), was issued. The adoption of EITF 97-14 required the Company to record as treasury stock the historical value of the Company's stock maintained in its deferred compensation plans.

RECENT ACCOUNTING PRONOUNCEMENTS In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activity", was issued. SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of Effective Date of FASB Statement No. 133 -- an amendment of FASB Statement No. 133" is effective for financial statements for fiscal quarters of fiscal years beginning after June 15, 2000. The Company has not yet determined the effect of this standard on its financial statements.

3. SUPPLEMENTAL CASH FLOW DISCLOSURES

IN THOUSANDS	1999	1998	1997
Interest paid during the year.....	\$ 44,087	\$ 37,391	\$ 33,534
Income taxes paid during the year.....	30,635	27,434	35,993
Young Radiator acquisition:			
Fair value of assets acquired.....	--	89,594	--
Liabilities assumed.....	--	(10,188)	--
Cash paid.....	--	79,406	--
Less cash acquired.....	--	11,721	--
Net cash paid.....	--	67,685	--
Rockwell Railroad Electronics acquisition:			
Fair value of assets acquired.....	--	95,246	--
Liabilities assumed.....	--	(15,246)	--
Cash paid.....	--	80,000	--
Less cash acquired.....	--	--	--
Net cash paid.....	--	80,000	--
Other business acquisitions:			
Fair value of assets acquired.....	48,202	51,969	51,157
Liabilities assumed.....	(14,646)	(19,452)	(25,687)
Cash paid.....	33,556	32,517	25,470
Less cash acquired.....	1,314	3	700
Net cash paid.....	32,242	32,514	24,770
Noncash investing and financing activities:			
Deferred compensation.....	2,091	4,536	1,541
Treasury stock.....	(2,091)	(4,536)	--

4. MERGERS AND ACQUISITIONS

On November 19, 1999, WABCO completed its merger with MotivePower Industries, Inc. a leading manufacturer and supplier of locomotive components, fleet overhauls and related services. The Company issued approximately 18 million shares of the Company's Common Stock to former MotivePower shareholders and reserved for the contingent exercise of stock options approximately 2 million shares, valued at approximately \$354 million in a transaction that was accounted for by the pooling-of-interests accounting method. Accordingly, the consolidated financial statements have been restated giving effect to this transaction as if it had occurred as of the beginning of the earliest period presented.

The combined results of the Company and separate results of WABCO and MotivePower for the periods preceding the merger are as follows:

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999

IN THOUSANDS	SALES	EXTRAORDINARY ITEM	NET INCOME
WABCO	\$557,656	\$(469)	\$37,652
MotivePower	294,347	--	22,376
Combined	\$852,003	\$(469)	\$60,028

FOR THE YEAR ENDED DECEMBER 31, 1998

IN THOUSANDS	SALES	EXTRAORDINARY ITEM	NET INCOME
WABCO	\$ 670,909	\$(3,315)	\$41,654
MotivePower	365,218	(2,030)	32,197
Combined	\$1,036,127	\$(5,345)	\$73,851

FOR THE YEAR ENDED DECEMBER 31, 1997

IN THOUSANDS	SALES	EXTRAORDINARY ITEM	NET INCOME
WABCO	\$ 564,441	\$ --	\$37,263
MotivePower	305,930	--	20,276
Combined	\$ 870,371	\$ --	\$57,539

During 1999, the Company completed the following acquisitions:

- i) In January 1999, the Company acquired certain assets of G&G Locotronics, a privately held designer of high voltage electrical cabinets and control stands for locomotives, for total consideration of \$17.8 million. In 1998, G&G Locotronics had sales of approximately \$22 million.
- ii) In January 1999, the Company acquired 100% of the Common Stock of Q-Tron, Ltd., a privately held designer and manufacturer of locomotive electronics equipment, for total consideration of \$14.9 million. In 1998, Q-Tron had sales of \$10 million.
- iii) In February 1999, the Company acquired the mass transit electrical inverter and converter product line of AGC System & Technologies, Inc. of Canada for approximately \$960,000.

The 1999 acquisitions were accounted for under the purchase method. Accordingly, the results of operations of the applicable acquisition are included in the Company's financial statements prospectively from the acquisition date. The excess of the purchase price over the fair value of identifiable net assets of \$25 million was allocated to goodwill and is being amortized on a straight-line basis over 40 years.

On October 5, 1998, the Company purchased the railway electronics business, Rockwell Railroad Electronics, (Rockwell) of Rockwell Collins, Inc., a wholly owned subsidiary of Rockwell International Corporation, for \$80 million in cash. Rockwell was a manufacturer and supplier of mobile electronics (display and positioning equipment), data communications, and electronic braking equipment for the railroad industry. The acquisition has been accounted for by the purchase method of accounting, and accordingly, the results of operations of Rockwell have been included in the Company's consolidated financial statements from the date of acquisition. The \$70 million excess of the purchase price over the fair value of the net identifiable assets acquired has been recorded as goodwill and is being amortized on a straight-line basis over 40 years.

On November 18, 1998, the Company acquired 100% of the common stock of Young Radiator Company, a manufacturer of radiators, air coolers and heat exchange equipment for rail and industrial power-related markets, for \$67.7 million, net of cash and marketable securities acquired. The acquisition has been accounted for by the purchase method of accounting, and accordingly, the results of operations of Young have been included in the Company's consolidated financial statements from the date of acquisition. The \$43 million excess of the purchase price over the fair value of the net identifiable assets acquired has been recorded as goodwill and is being amortized on a straight-line basis over 40 years.

The following unaudited pro forma results of operations, including the effects of pro forma adjustments related to the acquisition of Rockwell and Young have been prepared as if these transactions occurred at the beginning of 1997:

IN THOUSANDS, EXCEPT PER SHARE	(UNAUDITED)	
	YEAR ENDED DECEMBER 31, 1998	1997
Net sales	\$1,116,846	\$952,047
Income before extraordinary item	76,328	53,093
Net income	70,983	53,093
Diluted earnings per share		
As reported	1.67	1.30
Pro forma	1.61	1.20

The pro forma financial information above does not purport to present what the Company's results of operations would have been if these two acquisitions had actually occurred on January 1, 1997, or to project the Company's results of operations for any future period, and does not reflect anticipated cost savings through the combination of these operations.

5. INTANGIBLES

Intangible assets of the Company, other than goodwill, consist of the following:

IN THOUSANDS	DECEMBER 31,	
	1999	1998

Patents, tradenames/trademarks and other, net of accumulated amortization of \$36,119 and \$31,146 (3-40 years)	\$36,534	\$40,528
Covenants not to compete, net of accumulated amortization of \$16,082 and \$14,110 (5 years)	6,753	9,386

Total	\$43,287	\$49,914

At December 31, 1999 and 1998, goodwill, totaled \$233.8 million and \$211.4 million, net of accumulated amortization of \$23.4 million and \$15.3 million, respectively.

6. LONG-TERM DEBT

Long-term debt consisted of the following:

IN THOUSANDS	DECEMBER 31,	
	1999	1998

Credit agreement		
Revolving credit	\$368,000	\$204,055
Term loan	--	202,500
9 3/8% Senior notes due June 15, 2005	175,000	100,000
Unsecured credit facility	--	30,000
Pulse note	16,990	16,990
Comet notes	--	10,200
5.5% Industrial revenue bond due 2008	6,749	7,298
Other	1,848	2,572

Total	568,587	573,615
Less-current portion	743	41,128

Long-term portion	\$567,844	\$532,487

Credit Agreement

In November 1999, in connection with the merger, WABCO terminated its then existing credit agreement and refinanced the then existing MotivePower credit agreement with a consortium of commercial banks. The credit agreement provides for a \$275 million five-year revolving loan and a 364-day \$275 million convertible revolving credit facility. In connection with the establishment of the two new revolving facilities, the Company wrote off previously deferred financing costs of approximately \$850,000, net of tax (\$.02 per diluted share), which has been reported as an extraordinary item in the accompanying financial statements. At December 31, 1999, the Company had available borrowing capacity, net of letters of credit, of approximately \$158 million.

Under the credit agreement, the Company may elect a base rate, an interest rate based on the London Interbank Offered Rates of Interest ("LIBOR"), a cost of funds rate and a bid rate. The base rate is the greater of ABN AMRO Bank N.V.'s prime rate or the federal funds effective rate plus 0.5% per annum. The LIBOR rate is 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 cost of funds rate is a fluctuating interest rate based on ABN AMRO Bank N.V.'s then cost of funds. Under the bid rate option, any participating bank may propose the interest rate at which it will lend funds, which rate may either be a fixed rate or a floating rate based on LIBOR.

The 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, whether in cash, property, securities or a combination thereof. One exception to this restriction is that the Company may make repurchases and redemptions and pay dividends (net of dividends on unallocated shares of Common Stock of the Company that are returned to the Company) in aggregate amount not to exceed 50% of the Company's

accumulated consolidated net income for that fiscal year. The credit agreement contains various other covenants and restrictions including, without limitation, the following: a limitation on the incurrence of additional indebtedness; a limitation on mergers, consolidations and sales of assets and acquisitions; a limitation on liens; a limitation on sale and leasebacks; a limitation on investments, loans and advances; a limitation on certain debt payments; a limitation on capital expenditures; a minimum interest expense coverage ratio; and a maximum debt to cash flow ratio.

The credit agreement contains customary events of default, including payment defaults, failure of representations or warranties to be true in any material respect, covenant defaults, defaults with respect to other indebtedness of the Company, bankruptcy, certain judgments against the Company, ERISA defaults and "change of control" of the Company.

Credit agreement borrowings bear variable interest rates indexed to common indexes such as LIBOR. The weighted-average contractual interest rate on

credit agreement borrowings was 7.36% at December 31, 1999. To reduce the impact of interest rate changes on a portion of this variable-rate debt, the Company has entered into interest rate swaps which effectively convert a portion of the debt from variable to fixed-rate borrowings during the term of the swap contracts. On December 31, 1999, the notional value of interest rate swaps outstanding totaled \$50 million and effectively changed the Company's interest rate from a variable rate to a fixed rate of 7.33%. The interest rate swap agreements mature in 2000 and 2001. The Company is exposed to credit risk in the event of nonperformance by the counterparties. However, since only the cash interest payments are exchanged, exposure is significantly less than the notional amount. The counterparties are large financial institutions and the Company does not anticipate nonperformance.

9 3/8% Senior Notes Due June 2005

In June 1995, the Company issued \$100 million of 9 3/8% Senior Notes due in 2005 (the "1995 Notes"). In January 1999, the Company issued an additional \$75 million of 9 3/8% Senior Notes which are due in 2005 (the "1999 Notes"; the 1995 Notes and the 1999 Notes are collectively, the "Notes"). The 1999 Notes were issued at a premium resulting in an effective rate of 8.5%. The terms of the 1995 Notes and the 1999 Notes are substantially the same, and the 1995 Notes and the 1999 Notes were issued pursuant to indentures that are substantially the same. The issuance of the 1999 Notes improved the Company's financial liquidity by i) using a portion of the proceeds to repay \$30 million of debt associated with the Rockwell acquisition that bore interest at 9.56%; ii) using a portion of the proceeds to repay variable-rate revolving credit borrowings thereby increasing amounts available under the revolving credit facility; and iii) repaying the remaining unpaid principal of \$10.2 million from the Comet acquisition. As result of this issuance, the Company wrote off previously capitalized debt issuance costs of \$469,000, net of tax, or approximately \$.01 per diluted share, in the first quarter of 1999.

The Notes are senior unsecured obligations of the Company and rank pari passu in right of payment with all existing and future indebtedness under (i) capitalized lease obligations, (ii) the Credit Agreement, (iii) indebtedness of the Company for money borrowed and (iv) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable unless, in the case of clause (iii) or (iv), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are subordinate in right of payment to the Notes.

Unsecured Credit Facility

In October 1998, the Company obtained a \$30 million unsecured credit facility from a group of commercial banks for the purpose of financing the Rockwell acquisition. In January 1999, this facility was repaid with proceeds of the 1999 Notes offering.

Pulse Note

As partial payment for the Pulse acquisition, the Company issued a \$17 million note due January 31, 2004, with interest at 9.5%. In January 2000, this note was repaid with our revolving credit facility.

Comet Notes

In connection with the Comet acquisition, the Company issued notes totaling \$12.2 million, of which unsecured notes totaling \$6.2 million were delivered by the Company and a note in the amount of \$6 million was delivered by a subsidiary of the Company and secured by the acquired assets. These notes were repaid in January 1999 with proceeds of the 1999 Notes offering.

Industrial Revenue Bond

In July 1998, a subsidiary of the Company entered into a 10 year \$7.5 million debt obligation that bears an interest rate of 5.5% to provide financing for the purchase of a building used in the Company's operations.

Scheduled principal repayments of outstanding loan balances required as of December 31, 1999 are as follows:

In thousands

2000	\$ 743
2001	1,233
2002	1,173
2003	1,128
2004	385,806
Future years	178,504

Total	\$568,587

7. EMPLOYEE BENEFIT PLANS

In thousands, except percentages AS OF OR FOR THE YEAR ENDED DECEMBER 31	PENSION PLANS		POSTRETIREMENT PLAN	
	1999	1998	1999	1998
DEFINED BENEFIT PLANS				
CHANGE IN BENEFIT OBLIGATION				
Obligation at beginning of year.....	\$(63,650)	\$(39,424)	\$(20,611)	\$(19,603)
Service cost.....	(1,746)	(1,363)	(337)	(400)
Interest cost.....	(4,231)	(2,904)	(1,364)	(1,304)
Participant contributions.....	(40)	(32)	--	--
Plan amendments.....	(461)	(1,480)	(205)	--
Actuarial gain (loss).....	7,427	(4,771)	3,440	(1,275)
Benefits paid.....	3,988	2,702	563	1,971
Obligation assumed through an acquisition.....	--	(18,124)	(81)	--
Effect of currency rate changes.....	(1,646)	1,746	--	--
Obligation at end of year.....	\$(60,359)	\$(63,650)	\$(18,595)	\$(20,611)
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year....	\$ 68,290	\$ 37,884	--	--
Actual return on plan assets.....	6,458	5,335	--	--
Employer contribution.....	2,325	3,688	--	--
Participant contributions.....	40	32	--	--
Benefits paid.....	(3,988)	(2,702)	--	--
Administrative expenses.....	(257)	(116)	--	--
Assets assumed through an acquisition.....	--	25,934	--	--
Effect of currency rate changes.....	1,686	(1,765)	--	--
Fair value of plan assets at end of year.....	\$ 74,554	\$ 68,290	--	--
FUNDED STATUS				
Funded status at year end.....	\$ 14,195	\$ 4,640	\$(18,595)	\$(20,611)
Unrecognized net actuarial (gain) loss.....	(10,109)	(2,997)	359	3,995
Unrecognized prior service cost.....	3,212	3,151	(83)	(221)
Unrecognized transition obligation.....	--	--	281	302
Prepaid (accrued) benefit cost.....	\$ 7,298	\$ 4,794	\$(18,038)	\$(16,535)

	PENSION PLANS			POSTRETIREMENT PLAN		
	1999	1998	1997	1999	1998	1997
NET PERIODIC BENEFIT COST						
Service cost.....	\$ 1,746	\$ 1,363	\$ 1,305	\$ 337	\$ 400	\$ 289
Interest cost.....	4,231	2,904	2,675	1,364	1,304	1,257
Expected return on plan assets.....	(6,045)	(3,968)	(4,463)	--	--	--
Net amortization/deferrals.....	734	1,072	1,865	233	230	162
Net periodic benefit cost.....	\$ 666	\$ 1,371	\$ 1,382	\$1,934	\$1,934	\$1,708
ASSUMPTIONS						
Discount rate.....	7.75%	6.75%	7.25%	8%	6.75%	7.25%
Expected long-term rate of return.....	9%	10%	9.25%	na	na	na
Rate of compensation increase.....	5%	5%	5%	na	na	na

A 1% change in the assumed health care cost trend rate will change the amount of expense recognized for the postretirement plans by approximately \$200,000 for each future year, and change the accumulated postretirement benefit obligation by approximately \$2 million.

DEFINED CONTRIBUTION PLANS

Costs recognized under multi-employer and other defined contribution plans are summarized as follows:

IN THOUSANDS	1999	1998	1997

Multi-employer pension and health & welfare plans	\$2,251	\$3,765	\$3,100
401(k) savings plan	1,782	1,298	357
Employee stock ownership plan (ESOP)	4,078	4,472	3,200

Total	\$8,111	\$9,535	\$6,657

The Company sponsors defined benefit pension plans that cover certain U.S. and Canadian employees and provide benefits of stated amounts for each year of service of the employee. In connection with the establishment of the ESOP (see Note 8) in January 1995, the pension plan for U.S. salaried employees was modified to eliminate any credit (or accrual) for current service costs for any future periods, effective March 31, 1995.

In connection with the acquisition of Young Radiator Company in November 1998, the Company assumed liability for Young's defined benefit pension plan (the "Young Plan"), covering substantially all of the employees of Young. The benefits under the Young Plan are based on years of service. The Company suspended future benefits accruing under this plan as of April 1, 1999, and is proceeding with merging the Young Plan into an existing Company defined benefit plan.

The Company's funding methods, which are primarily based on the ERISA requirements, differ from those used to recognize pension expense, which is primarily based on the projected unit credit method applied in the accompanying financial statements.

In addition to providing pension benefits, the Company has provided certain unfunded postretirement health care and life insurance benefits for substantially all U.S. employees. In conjunction with the establishment of the ESOP in January 1995 (see Note 8), the postretirement health care and life insurance benefits for salaried employees were modified to discontinue benefits for employees who had not attained the age of 50 by March 31, 1995. The Company is not obligated to pay health care and life insurance benefits to individuals who had retired prior to 1990.

The Company also participates in a variety of defined contribution 401(k), ESOP and multiemployer pension, health and welfare plans. With regard to the 401(k) savings and the ESOP, during 1999 the Company match was substantially in the form of Wabtec Common Stock and cash. Additionally, the Company has stock option based and other plans further described in Note 11.

8. EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (ESOP)

Effective January 31, 1995, the Company established the ESOP to enable participating employees to obtain ownership interests in the Company. Employees eligible to participate in the ESOP primarily include the salaried U.S. employees and, as described in Note 7, the ESOP contributions are intended to supplement or replace other salaried employee benefit plans.

In connection with the establishment of the ESOP, the Company made a \$140 million loan to the ESOP, which was used to purchase 9,336,000 shares of the Company's outstanding common stock. The ESOP loan initially had a term of 50 years with interest at 8.5% and was collateralized by the shares purchased by the ESOP. Company contributions to the ESOP will be used to repay the ESOP loan's annual debt service requirements of approximately \$12 million. The Company is obligated to contribute amounts sufficient to repay the ESOP loan. The ESOP uses such Company contributions to repay the ESOP loan. Approximately 187,000 shares were to be allocated annually to participants over a 50-year period. These transactions occur simultaneously and, for accounting purposes, offset each other. Unearned ESOP shares of \$125.5 million at December 31, 1999, is reflected as a reduction in shareholders' equity in the accompanying financial statements and will be amortized to compensation expense coterminous with the ESOP loan. Allocated ESOP shares at December 31, 1999 and 1998 were approximately 970,000 and 771,000 shares, respectively.

9. INCOME TAXES

The provision for income taxes consisted of the following:

IN THOUSANDS	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

Current taxes Federal	\$12,569	\$22,871	\$22,352
State	2,264	1,862	3,214
Foreign	10,535	11,099	6,494
	-----	-----	-----
	25,368	35,832	32,060
Deferred taxes			
Federal	2,596	5,311	(209)
State	(1,020)	(387)	247
Foreign	6,613	1,359	2,942
	-----	-----	-----
	8,189	6,283	2,980
	-----	-----	-----
Total provision	\$33,557	\$42,115	\$35,040

The 1999 and 1998 provision excludes \$0.8 and \$2.0 million income tax effect on the extraordinary loss (See Note 6).

The components of income before taxes for U.S. and foreign operations were \$38.7 million and \$32.8 million, respectively, for 1999, \$81.2 million and \$40.1 million, respectively, for 1998, and \$69.0 million and \$23.6 million, respectively, for 1997.

A reconciliation of the United States federal statutory income tax rate to the effective income tax rate is provided below:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

U. S. federal statutory rate	35.0%	35.0%	35.0%
State taxes	3.2	1.5	3.0
Foreign	0.8	(1.8)	2.5
Valuation allowance	(1.3)	--	(2.2)
Merger and Restructuring charge	11.3	--	--
Other, net	(2.1)	--	(0.5)
	-----	-----	-----
Effective rate	46.9%	34.7%	37.8%

Components of deferred tax assets and liabilities were as follows:

IN THOUSANDS	DECEMBER 31,	
	1999	1998

Accrued expenses and reserves	\$ 9,044	\$ 6,797
ESOP	5,067	4,539
Employee benefits/pension	6,352	6,684
Inventory	2,445	3,514
Accrued warranty	8,202	5,914
Restructuring reserve	4,599	--
Deferred debt costs	--	1,673
Net operating loss	9,429	15,258
Plant, equipment and intangibles	(10,613)	(4,140)
Underbillings	(7,734)	(6,802)
Other	(31)	(484)
	-----	-----
	26,760	32,953
Valuation allowance	(8,641)	(17,204)
	-----	-----
Net deferred tax assets	\$ 18,119	\$ 15,749

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. The Company has

established a valuation allowance for certain net operating loss carryforwards and for losses anticipated to produce no tax benefit. Although realization of the net deferred tax asset is not assured, management believes that it is more likely than not that the net deferred tax asset will be realized.

The Company's net operating loss carryforward for the year ended December 31, 1999 is \$24 million. The net operating losses expire in various amounts, as follows:

In thousands YEAR	US	MEXICO	TOTAL
2005	--	\$4,839	\$ 4,839
2010	\$19,113	--	19,113
Total	\$19,113	\$4,839	\$23,952

10. EARNINGS PER SHARE

The computation of earnings per share is as follows:

IN THOUSANDS, EXCEPT PER SHARE	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

BASIC			
Income before extraordinary item applicable to common shareholders	\$37,942	\$79,196	\$57,539
Divided by:			
Weighted average shares outstanding	43,287	42,750	43,210
Basic earnings per share before extraordinary item	\$ 0.88	\$ 1.85	\$ 1.33

DILUTED			
Income before extraordinary item applicable to common shareholders	\$37,942	\$79,196	\$57,539
Divided by sum of:			
Weighted average shares outstanding	43,287	42,750	43,210
Conversion of dilutive stock options	947	1,391	990

Diluted shares outstanding	44,234	44,141	44,200
Diluted earnings per share before extraordinary item	\$ 0.86	\$ 1.79	\$ 1.30

Options to purchase approximately 700,000, 200,000 and 500,000 shares of Common Stock were outstanding in 1999, 1998, and 1997, 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.

11. STOCK-BASED COMPENSATION PLANS

STOCK OPTIONS Under the 1995 Stock Incentive Plan, as amended in 1998, the Company may grant options to employees of the former Westinghouse Air Brake Company and MotivePower Industries, Inc. and Subsidiaries for up to 6.5 million shares of Common Stock. Options to purchase approximately 5.8 million shares of Common Stock under the plans have been granted to employees at, or in excess of, fair market value at the date of grant. Generally, the options become exercisable over three and five-year vesting periods and expire ten years from the date of grant.

As part of a long-term incentive program, in 1998 and 1996 the Company granted options to purchase up to 500,020 and 684,206 shares, respectively, to certain executives under the 1995 Stock Incentive Plan. The option price per share is the greater of the market value of the stock on the date of grant or \$20 and \$14, respectively. The options vest 100% after eight years and are subject to accelerated vesting after three years if the Company achieves certain earnings targets as established by the compensation committee of the board of directors.

The Company also has a non-employee directors stock option plan under which 100,000 shares of common stock are reserved for issuance. Through year-end 1999, the Company granted nonstatutory stock options to non-employee directors to purchase a total of 40,000 shares.

EMPLOYEE STOCK PURCHASE PLAN In 1998, the Company adopted an employee stock purchase plan (ESPP). The ESPP had 500,000 shares available for issuance. Participants purchased the Company's Common Stock at 85% of the lesser of fair market value on the first or last day of each offering period. This plan was suspended during 1999 and will be reinstated starting April 2000.

The Company applies APB 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized under these plans. Had compensation expense for these plans been determined based on the fair value at the grant dates for awards, the Company's net income and earnings per share would be as set forth in the following table. For purposes of pro forma disclosures, the estimated fair value is amortized to expense over the options' vesting period.

IN THOUSANDS, EXCEPT PER SHARE	YEAR ENDED DECEMBER 31,		
	1999	1998	1997

Net income			
As reported	\$36,623	\$73,851	\$57,539
Pro forma	31,996	69,250	53,451
Diluted earnings per share			
As reported	\$ 0.83	\$ 1.67	\$ 1.30
Pro forma	0.72	1.57	1.21

Since compensation expense associated with option grants would be recognized over the vesting period, the initial impact of applying SFAS No. 123 on pro forma net income is not representative of the potential impact on pro forma net income in future years.

In each subsequent year, pro forma compensation expense would include the effect of recognizing a portion of compensation expense from multiple awards.

For purposes of presenting pro forma results, 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:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Dividend yield	.30%	.20%	.23%
Risk-free interest rate	5.875%	4.560%	5.800%
Stock price volatility	36.58	29.10	29.22
Expected life (years)	5.0	5.0	5.3

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options, which are significantly different than employee stock options. Although this valuation model is an acceptable method for use in presenting pro forma information, because of the differences in traded options and employee stock options, the Black-Scholes model does not necessarily provide a single measure of the fair value of employee stock options.

A summary of the Company's stock option activity and related information for the years indicated follows:

	1998		1997		1996	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Beginning of year.....	5,340,182	\$16.29	4,744,533	\$14.64	3,945,551	\$13.63
Granted.....	173,642	24.33	1,091,908	20.99	1,290,646	17.84
Exercised.....	(361,664)	11.64	(277,158)	14.39	(344,326)	13.75
Canceled.....	(175,152)	15.03	(219,101)	15.86	(147,338)	14.00
End of year.....	4,977,008	\$15.14	5,340,182	\$16.29	4,744,533	\$14.64
Exercisable at end of year.....	3,958,854		2,116,820		1,438,058	
Available for future grant.....	678,028		1,213,334		486,141	
Weighted average fair value of options granted during the year.....	\$9.04		\$8.98		\$8.07	

The following table summarizes information about stock options outstanding at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF 12/31/99	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF 12/31/99
\$ 3.41--\$ 5.43	537,000	6.3	\$ 5.23	537,000
\$ 7.83--\$10.86	678,447	7.1	\$10.34	678,447
\$11.00--\$12.69	293,374	6.9	\$11.14	285,874
\$14.00--\$14.00	1,626,256	6.1	\$14.00	1,390,656
\$14.53--\$19.91	630,896	8.3	\$18.75	512,362
\$20.00--\$20.00	664,020	8.8	\$20.00	82,000
\$20.09--\$29.46	442,768	8.2	\$25.03	368,268
\$29.61--\$31.63	104,247	9.0	\$30.30	104,247
	4,977,008	7.2	\$15.14	3,958,854

RESTRICTED STOCK AWARD In 1998, the Company granted 15,000 shares of restricted Common Stock to an officer. The shares vest according to a vesting schedule over a three-year period. The grant date market value totaled \$372,000 and is being amortized to expense over the vesting period. Unamortized compensation is recorded as a component of shareholders' equity.

EXECUTIVE RETIREMENT PLAN Under the 1997 Executive Retirement Plan, the Company may award its

Common Stock to certain employees including certain executives who do not participate in the ESOP. Through December 31, 1999, 35,556 shares have been awarded with a fair market value of approximately \$704,000.

With respect to the Restricted Stock Award and the Executive Retirement Plan, compensation expense is recognized in the consolidated statement of operations.

12. OPERATING LEASES

The Company leases office and manufacturing facilities under operating leases with terms ranging from one to fifteen 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 1999, 1998 and 1997 was \$8.6 million, \$6.2 million and \$6.1 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 \$5.7 million, \$7.6 million and \$7.2 million for the years 1999, 1998 and 1997, respectively.

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

IN THOUSANDS YEAR	REAL ESTATE	EQUIPMENT	SUBLEASE RENTALS	TOTAL
2000	\$5,983	\$ 8,538	\$(3,381)	\$11,140
2001	5,633	6,953	(2,867)	9,719
2002	4,789	5,930	(2,463)	8,256
2003	4,060	5,447	(2,470)	7,037
2004	3,419	7,577	(2,457)	8,539
2005 and after	\$6,476	\$19,331	\$(7,247)	\$18,560

13. STOCKHOLDERS' AND VOTING TRUST AGREEMENTS

As of December 31, 1999, the approximate ownership interests in the Company's Common Stock are held by management (14%), the ESOP (22%), the investors consisting of Vestar Equity Partners, L.P., Harvard Private Capital Holdings, Inc., American Industrial Partners Capital Fund II, L.P. (13%), and all others including public shareholders (51%).

A Stockholders Agreement exists between management and the investors referred to above that provides for, among other things, the composition of the Board of Directors as long as certain minimum stock ownership percentages are maintained, restrictions on the disposition of shares and rights to request the registration of the shares.

The active original management owners have entered into an Amended Voting Trust/Disposition Agreement effective December 13, 1995, as amended. The agreement provided for, among other matters, the stock to be voted as one block and restrictions on the sale or transfer of such stock. The agreement expired on January 1, 2000. Individual stockholders now vote their own shares.

The shares held by the ESOP (established January 31, 1995) are subject to the terms of the related ESOP Loan Agreement, Employee Stock Ownership Trust Agreement, Employee Stock Ownership Plan and the Pledge Agreement. The ESOP is further described in Note 8.

14. 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, 1999 and 1998 there was no preferred stock issued or outstanding.

15. 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 the terms of the purchase agreement and related documents for the 1990 Acquisition, American Standard, Inc. ("ASI"), has indemnified the Company for certain items including, among others, environmental claims. The indemnification provisions of the agreement expire at various dates through 2000, except those claims which are timely asserted continue until resolved. If ASI was unable to honor or meet these indemnifications, the Company would be responsible for such items. In the opinion of management, ASI currently has the ability to meet its indemnification obligations.

The Company, through one of its operating subsidiaries, has been named, along with other parties, as a Potentially Responsible Party (PRP) under the North Carolina Inactive Sites Response Act because of an alleged release or threat of release of hazardous substances at the "Old James Landfill" site in North Carolina. The Company believes that any costs associated with the cleanup activities at this site which it may be held responsible for, if any, are covered by (a) the ASI indemnification referred to above, as ASI previously owned 50% of the subsidiary and (b) a related insurance policy which expires January 2002 for environmental claims provided by the other former 50% owner of the involved operating subsidiary. Active claims for conditions existing prior to July 1992 will continue to be covered beyond such date. The Company has submitted a claim and has received recoveries under the policy for any costs of clean up imposed on or incurred by the Company in connection with the "Old James Landfill" and Rocky Mountain International Insurance, Ltd. has acknowledged coverage and has made payments under the policy, subject to the stated policy exclusions. Claims made before the expiration date of the policy will continue to be covered beyond the policy expiration date. In addition, management believes that such costs, if any, attributable to the Company will not be material and, therefore, has not established a reserve for such costs.

The Company's operations do not use and its products do not contain any asbestos. Asbestos actions have been filed against the Company, RFPC and Vapor Corporation. These cases involve products manufactured prior to the time the Company acquired the RFPC stocks and Vapor assets and while the Company was under prior ownership. With respect to the actions filed against the Company, ASI is responsible for administering, defending and paying any liability associated with the claims. With respect to the actions filed against RFPC, the claims are covered by insurance. With respect to the actions filed against Vapor Corporation, the Company seeks indemnity for liability and defense costs from the prior owner of the Vapor assets. The Company is not involved with, nor has it incurred any costs related to, these asbestos claims, other than minimal processing costs. Management believes that these claims are not related to the Company and will not be material; the financial statements accordingly do not reflect any costs or reserves for such claims.

BOISE, IDAHO

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 Boise Locomotive Company facility. In compliance with the Permit, the Company has drilled wells onsite to retrieve and treat contaminated groundwater, and onsite and offsite to monitor the amount of hazardous constituents. The Company has estimated the expected aggregate discounted liability at December 31, 1999, using a discount rate of 6%, to be approximately \$4 million, which has been accrued. The Company was in compliance with the Permit at December 31, 1999.

MOUNTAINTOP, PENNSYLVANIA

Foster Wheeler Energy Corporation ("FWEC") is named as a potentially responsible party with respect to the Company's Mountaintop, Pennsylvania plant, which has been listed by the EPA in its database of potential hazardous substances. FWEC, the seller of the Mountaintop property to the Company's predecessor in 1989, agreed to indemnify the Company's predecessor against certain identified 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.

MATTOON, ILLINOIS

Prior to the acquisition of Young Radiator, Young agreed to clean up alleged contamination on a prior production site in Mattoon, IL. The Company has accrued \$1 million for this matter as management's best estimate of the restoration costs.

RACINE, WISCONSIN

Young ceased manufacturing operations at its Racine facility in the early 1990's. Investigations prior to the acquisition of Young revealed some levels of contamination on the Racine property. The Company is in the process of determining the extent of contamination.

GE HARRIS

On February 12, 1999, GE Harris Railway Electronics, LLC and GE Harris Railway Electronic Services, LLC (collectively, "GE Harris") brought suit against the Company for alleged patent infringement and unfair competition related to a communications system installed in one of the Company's products. GE Harris is seeking to prohibit the Company from future infringement and is seeking an unspecified amount of money damages to recover, in part, royalties. As this lawsuit is in the early stages, the Company is unable to estimate the cost, if any, of resolving litigation and thus, no costs have been provided for this matter.

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.

16. 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. Financial information for these segments has been restated in conjunction with the operational realignment of our organization pursuant to the merger of WABCO and MotivePower. The business segments are:

FREIGHT GROUP manufactures products and services geared to the production and operation of freight cars and locomotives, including braking control equipment, engines, traction motors, on-board electronic systems and train coupler equipment. Revenues are derived from OEM and locomotive overhauls, aftermarket sales and from freight car repairs and services.

TRANSIT GROUP consists of products for passenger transit vehicles (typically subways, rail and busses) that include braking and monitoring systems, climate control and door equipment that are engineered to meet individual customer specifications. Revenues are derived from OEM and aftermarket sales as well as from repairs and services.

The Company evaluates its business segments' operating results based on income from operations before merger and restructuring charges. 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 below tables are not necessarily a measure computed in accordance with generally accepted accounting principles and may not be comparable to other companies.

Segment financial information for 1999 is as follows:

IN THOUSANDS	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	MERGER AND RESTRUCTURING	TOTAL
Sales to external customers.....	\$882,866	\$238,202	--	--	\$1,121,068
Intersegment sales/(elimination).....	26,614	--	\$ (26,614)	--	--
Total sales.....	\$909,480	\$238,202	\$ (26,614)	--	\$1,121,068
Income from operations.....	\$162,350	\$ 21,279	\$ (18,763)	\$ (48,857)	\$ 116,009
Interest expense and other.....	--	--	(44,510)	--	(44,510)
Income before income taxes and extraordinary item.....	\$162,350	\$ 21,279	\$ (63,273)	\$ (48,857)	\$ 71,499
Depreciation and amortization.....	\$ 32,600	\$ 8,191	\$ 1,823	--	\$ 42,614
Capital expenditures.....	20,748	9,364	696	--	30,808
Segment assets.....	757,171	208,106	31,399	--	996,676

Segment financial information for 1998 is as follows:

IN THOUSANDS	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers.....	\$824,326	\$211,801	--	\$1,036,127
Intersegment sales/(elimination).....	22,942	1,276	\$(24,218)	--
Total sales.....	\$847,268	\$213,077	\$(24,218)	\$1,036,127
Income from operations.....	\$150,974	\$ 16,047	\$(21,992)	\$ 145,029
Interest expense and other.....	--	--	(23,718)	(23,718)
Income before income taxes and extraordinary item.....	\$150,974	\$ 16,047	\$(45,710)	\$ 121,311
Depreciation and amortization.....	\$ 27,724	\$ 6,544	\$ 2,347	\$ 36,615
Capital expenditures.....	46,047	8,470	3,321	57,838
Segment assets.....	738,230	182,398	46,754	967,382

Segment financial information for 1997 is as follows:

IN THOUSANDS	FREIGHT GROUP	TRANSIT GROUP	CORPORATE ACTIVITIES	TOTAL
Sales to external customers.....	\$680,830	\$189,541	--	\$870,371
Intersegment sales/(elimination).....	16,300	1,247	\$(17,547)	--
Total sales.....	\$697,130	\$190,788	\$(17,547)	\$870,371
Income from operations.....	\$130,992	\$ 19,907	\$(26,306)	\$124,593
Interest expense and other.....	--	--	(32,014)	(32,014)
Income before income taxes and extraordinary item.....	\$130,992	\$ 19,907	\$(58,320)	\$ 92,579
Depreciation and amortization.....	\$ 25,594	\$ 5,875	\$ 3,122	\$ 34,591
Capital expenditures.....	37,425	5,341	1,431	44,197
Segment assets.....	482,268	149,669	62,044	693,981

The following geographic area data include net sales based on product shipment destination. Long-lived assets consists of plant, property and equipment, net of depreciation, that are resident in their respective countries.

In thousands YEAR ENDED DECEMBER 31,	NET SALES			LONG-LIVED ASSETS		
	1999	1998	1997	1999	1998	1997
United States.....	\$ 829,725	\$ 753,377	\$659,695	\$156,106	\$157,362	\$111,594
Canada.....	100,221	90,193	53,947	42,661	38,775	34,529
Mexico.....	78,661	76,140	69,281	15,260	15,615	11,859
Other international.....	112,461	116,417	87,448	8,664	7,486	2,808
Total.....	\$1,121,068	\$1,036,127	\$870,371	\$222,691	\$219,238	\$160,790

Export sales from the Company's United States operations were \$132.7 million, \$111.8 million and \$86.8 million for the years ending December 31, 1999, 1998, and 1997, respectively. The following data reflects income from operations, including merger and restructuring related charges by major geographic area, attributed to the Company's operations within each of the following countries or regions.

In thousands YEAR ENDED DECEMBER 31,	INCOME FROM OPERATIONS		
	1999	1998	1997
United States.....	\$ 71,905	\$ 98,446	\$ 99,348
Canada.....	19,176	20,364	9,918
Mexico.....	16,228	18,790	11,478
Other international.....	8,700	7,429	3,849
Total	\$116,009	\$145,029	\$124,593

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments approximate their related carrying values, except for the following:

IN THOUSANDS	1999		1998	
	CARRY VALUE	FAIR VALUE	CARRY VALUE	FAIR VALUE
9 3/8% Senior Note.....	\$(175,000)	\$(183,000)	\$(100,000)	\$(106,000)
Note Payable-Pulse 9 1/2%.....	(16,990)	(16,990)	(16,990)	(18,000)
Interest rate swaps.....	--	367	--	(1,000)

Fair values of the fixed rate obligations were estimated using discounted cash flow analyses. The fair value of the Company's interest rate swaps (see Note 6) were based on dealer quotes and represent the estimated amount the Company would pay to the counterparty to terminate the swap agreements.

18. SELECTED QUARTERLY FINANCIAL DATA

IN THOUSANDS, EXCEPT PER SHARE DATA	(UNAUDITED)			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1999				
Net sales.....	\$298,478	\$292,644	\$260,881	\$269,065
Gross profit.....	89,068	91,018	78,560	73,333
Operating income (loss).....	43,702	46,415	39,720	(13,828)
Income (loss) before taxes.....	32,145	35,246	27,961	(23,853)
Income (loss) before extraordinary item.....	20,267	22,420	17,811	(22,556)
Net income (loss).....	19,798	22,420	17,811	(23,406)
Diluted earnings (loss) per common share before extraordinary item.....	0.46	0.50	0.40	(0.51)
Diluted earnings (loss) per common share.....	\$ 0.45	\$ 0.50	\$ 0.40	\$ (0.53)
1998				
Net sales.....	\$240,989	\$260,513	\$247,882	\$286,743
Gross profit.....	73,152	76,383	70,416	80,550
Operating income.....	35,758	37,276	35,365	36,630
Income before taxes.....	28,260	31,124	28,744	33,183
Income before extraordinary item.....	17,978	19,570	18,558	23,090
Net income.....	17,506	16,840	18,558	20,947
Diluted earnings per common share before extraordinary item.....	0.41	0.44	0.42	0.52
Diluted earnings per common share.....	\$ 0.40	\$ 0.38	\$ 0.42	\$ 0.47

The amounts in the table above differ from those previously reported on Form 10-Q due to the merger of Westinghouse Air Brake Company and MotivePower Industries, Inc. and the application of the pooling-of-interests accounting and reporting method.

In the fourth quarter of 1999, the Company recorded merger and restructuring costs of approximately \$50 million or \$0.92, net of tax, per diluted share. Without the effect of this charge, the fourth quarter 1999 would have been \$0.39 per diluted share. In the fourth quarter of 1998, the Company sold its entire Argentine investment in Trenes de Buenos Aires S.A. and recognized a non-recurring investment gain of \$8.4 million or \$0.12 net of tax, per diluted share. Without the effect of this gain, the fourth quarter 1998 would have been \$0.35 per diluted share.

19. MERGER AND RESTRUCTURING CHARGES

The Company incurred merger and restructuring-related charges of approximately \$50 million in the fourth quarter of 1999 and expects to incur an additional \$20 million of merger and restructuring-related expenses in 2000. The \$50.1 million charge is included in the income statement under the following items: \$43.6 million of the charge is included as a separate line item on the income statement as an operating expense; \$5.2 million is included as a component of cost of sales; and \$1.3 million (\$850,000, net of tax) is shown as an extraordinary item.

The \$50 million charge included the following announced actions:

- Costs associated with the transaction for items such as investment bankers, legal fees, accountant fees, SEC fees, etc.
- Consolidation of the corporate headquarters to Wilmerding, PA and the elimination of duplicate corporate functions.
- Closing and moving of Young Radiators' Centerville, IA plant and downsizing the Young administrative offices into the Company's Jackson, TN facility.
- Closing of G&G Locotronic's plant in Itasca, IL and moving its production into the nearby Elk Grove, IL facility and to San Luis Potosi, Mexico.
- Implementing a national sales force and eliminating duplicate sales functions.

As of December 31, 1999, \$8.7 million of the \$50 million merger and restructuring-related charge was accrued on the balance sheet. The table below identifies the significant components of the charge and shows the accrual balance as of December 31, 1999.

IN THOUSANDS	TRANSACTION COSTS, SEVERANCE AND TERMINATION BENEFITS	LEASE IMPAIRMENTS	ASSET WRITEDOWNS	OTHER	TOTAL
Beginning balance.....	\$ 34,444	\$ 5,738	\$ 3,397	\$ 6,605	\$ 50,184
Amounts paid/charged.....	(32,325)	--	(3,397)	(5,757)	(41,479)
Balance at December 31, 1999.....	\$ 2,119	\$ 5,738	--	\$ 848	\$ 8,705

The transaction, severance and termination benefits accrual is for approximately 183 employees, comprising both salaried and hourly personnel, at the various locations noted above. The accrual represents the calculation of the severance package based on the employee's salary and tenure with the Company. The lease impairment charges and asset write downs are associated with the Company's closing of the plants noted, the relocation of the corporate headquarters, and the Company's evaluation of certain assets. The other category represents other related costs that have been incurred and not yet paid as of December 31, 1999.

20. UNDERBILLINGS

The Company has a long-term contract to provide maintenance and other locomotive services. Details relative to cumulative costs incurred and revenues recognized were as follows:

IN THOUSANDS	DECEMBER 31,	
	1999	1998
Costs incurred	\$ 224,452	\$ 198,921
Estimated earnings	51,837	39,686
	276,289	238,607
Less billings to date	(248,579)	(211,832)
Total underbillings	\$ 27,710	\$ 26,775

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES
CORPORATION

By /s/ WILLIAM E. KASSLING

William E. Kassling, Chief
Executive Officer

Date: March 22, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company in the capacities indicated and on the dates indicated.

SIGNATURE AND TITLE

DATE

SIGNATURE AND TITLE	DATE
-----	----
/s/ WILLIAM E. KASSLING	March 22, 2000
----- William E. Kassling, Chairman of the Board, and Chief Executive Officer	
/s/ ROBERT J. BROOKS	March 22, 2000
----- Robert J. Brooks, Chief Financial Officer, Chief Accounting Officer and Director	
/s/ GREGORY T. H. DAVIES	March 22, 2000
----- Gregory T. H. Davies, President, Chief Operating Officer and Director	
/s/ GILBERT E. CARMICHAEL	March 22, 2000
----- Gilbert E. Carmichael, Director and Vice Chairman	
/s/ KIM G. DAVIS	March 22, 2000
----- Kim G. Davis, Director	
/s/ EMILIO A. FERNANDEZ	March 22, 2000
----- Emilio A. Fernandez, Director and Vice Chairman	
/s/ LEE B. FOSTER, II	March 22, 2000
----- Lee B. Foster, II, Director	
/s/ JAMES C. HUNTINGTON, JR.	March 22, 2000
----- James C. Huntington, Jr., Director	
/s/ JAMES P. KELLEY	March 22, 2000
----- James P. Kelley, Director	
/s/ JAMES P. MISCOLL	March 22, 2000
----- James P. Miscoll, Director	
/s/ JAMES V. NAPIER	March 22, 2000
----- James V. Napier, Director	
/s/ NICHOLAS J. STANLEY	March 22, 2000
----- Nicholas J. Stanley, Director	

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Westinghouse Air Brake Technologies Corporation included in this Form 10-K, and have issued our report thereon dated February 15, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index in Item 14(a)2 of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
February 15, 2000

INDEX TO EXHIBITS

FILING METHOD

2.1	Amended and Restated Agreement and Plan of Merger, as amended (originally included as Annex A to the Joint Proxy Statement/Prospectus)	8
3.1	Restated Certificate of Incorporation of the Company dated January 30, 1995, as amended March 30, 1995	2
3.3	Amended and Restated By-Laws of the Company, effective November 19, 1999	8
4.1	Form of Indenture between the Company and The Bank of New York with respect to the public offering of \$100,000,000 of 9 3/8% Senior Notes due 2005	2
4.2	Form of Note (included in Exhibit 4.1)	2
4.3	First Supplemental Indenture dated as of March 21, 1997 between the Company and The Bank of New York	5
4.4	Indenture dated as of January 12, 1999 by and between the Company and The Bank of New York with respect to the private offering of \$75,000,000 of 9 3/8% Senior Notes due 2005, Series B	7
4.5	Form of Note (included in Exhibit 4.4)	7
10.1	MotivePower Stock Option Agreement (originally included as Annex B to the Joint Proxy Statement/Prospectus)	8
10.2	Westinghouse Air Brake Stock Option Agreement (originally included as Annex C to the Joint Proxy Statement/Prospectus)	8
10.3	Voting Agreement dated as of September 26, 1999 among William E. Kassling, Robert J. Brooks, Harvard Private Capital Holdings, Inc. Vestar Equity Partners, L.P. and MotivePower Industries, Inc. (originally included as Annex D to the Joint Proxy Statement/Prospectus)	8
10.5	Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust, effective January 31, 1995	2
10.6	ESOP Loan Agreement dated January 31, 1995 between Westinghouse Air Brake Company Employee Stock Ownership Trust ("ESOP") and the Company (Exhibits omitted)	2
10.7	Employee Stock Ownership Trust Agreement dated January 31, 1995 between the Company and U.S. Trust Company of California, N.A.	2
10.8	Pledge Agreement dated January 31, 1995 between ESOT and the Company	2
10.9	Amended and Restated Refinancing Credit Agreement dated as of November 19, 1999 among the Company, various financial institutions, ABN AMRO Bank N.V., The Chase Manhattan Bank, and The Bank of New York (Schedules and Exhibits omitted.)	1
10.10	Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the RAC Voting Trust ("Voting Trust"), Vestar Equity Partners, L.P ("Vestar Equity"), Harvard Private Capital Holdings, Inc. ("Harvard"), American Industrial Partners Capital Fund II, L.P. ("AIP") and the Company	5
10.11	Common Stock Registration Rights Agreement dated as of January 31, 1995 among the Company, Scandinavian Incentive Holding B.V. ("SIH"), Voting Trust, Vestar Equity, Pulse Electronics, Inc., Pulse Embedded Computer Systems, Inc., the Pulse Shareholders and ESOT (Schedules and Exhibits omitted)	2

FILING METHOD

10.12	Indemnification Agreement dated January 31, 1995 between the Company and the Voting Trust Trustees	2
10.13	Agreement of Sale and Purchase of the North American Operations of the Railway Products Group, an operating division of American Standard Inc., dated as of 1990 between Rail Acquisition Corp. and American Standard Inc. (only provisions on indemnification are reproduced)	2
10.14	Letter Agreement (undated) between the Company and American Standard Inc. on environmental costs and sharing	2
10.15	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
10.16	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
10.17	License Agreement dated as of December 31, 1993 between SAB WABCO Holdings B.V. and the Company	2
10.18	Letter Agreement dated as of January 19, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.19	Westinghouse Air Brake Company 1995 Stock Incentive Plan, as amended	7
10.20	Westinghouse Air Brake Company 1995 Non-Employee Directors' Fee and Stock Option Plan, as amended	1
10.21	Employment Agreement between William E. Kassling and the Company	2
10.22	Letter Agreement dated as of January 1, 1995 between the Company and Vestar Capital Partners, Inc.	2
10.23	Form of Indemnification Agreement between the Company and Authorized Representatives	2
10.24	Share Purchase Agreement between Futuris Corporation Limited and the Company (Exhibits omitted)	2
10.25	Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries, Inc., Mark IV PLC, and W&P Holding Corp. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.01)	3
10.26	Purchase Agreement dated as of September 19, 1996 by and among Mark IV Industries Limited and Westinghouse Railway Holdings (Canada) Inc. (Exhibits and Schedules omitted) (Originally filed as Exhibit No. 2.02)	3
10.27	Amendment No. 1 to Amended and Restated Stockholders Agreement dated as of March 5, 1997 among the Voting Trust, Vestar, Harvard, AIP and the Company	5
10.28	Common Stock Registration Rights Agreement dated as of March 5, 1997 among the Company, Harvard, AIP and the Voting Trust	5
10.29	1998 Employee Stock Purchase Plan	7
10.30	Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company (Schedules and Exhibits omitted) (Originally filed as Exhibit No. 2.01)	6
10.31	Amendment No. 1 dated as of October 5, 1998 to Sale Agreement dated as of August 7, 1998 by and between Rockwell Collins, Inc. and the Company (Originally filed as Exhibit No. 2.02)	6
10.32	Westinghouse Air Brake Technologies Corporation 2000 Stock Incentive Plan	1

		FILING METHOD

21	List of subsidiaries of the Company	1
23	Consent of Arthur Andersen LLP	1
23.1	Consent of Deloitte & Touche LLP	1
27	Financial Data Schedule for the Twelve Months Ending December 31, 1999	1
27.1	Restated Financial Data Schedule for the Three Months Ending March 31, 1999	1
27.2	Restated Financial Data Schedule for the Six Months Ending June 30, 1999	1
27.3	Restated Financial Data Schedule for the Nine Months Ending September 30, 1999	1
27.4	Restated Financial Data Schedule for the Twelve Months Ending December 31, 1998	1
27.5	Restated Financial Data Schedule for the Three Months Ending March 31, 1998	1
27.6	Restated Financial Data Schedule for the Six Months Ending June 30, 1998	1
27.7	Restated Financial Data Schedule for the Nine Months Ending September 30, 1998	1
27.8	Restated Financial Data Schedule for the Twelve Months Ending December 31, 1997	1
99	Annual Report on Form 11-K for the year ended December 31, 1999 of the Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust	1
99.1	LIFO Preferability Letter from Arthur Andersen LLP	1

FILING METHOD

- 1 Filed herewith.
- 2 Filed as an exhibit to the Company's Registration Statement on Form S-1 (No. 33-90866).
- 3 Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 3, 1996.
- 4 Filed as an exhibit to the Company's Registration Statement on Form S-8 (No. 333-39159).
- 5 Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1997.
- 6 Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 5, 1998.
- 7 Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1998.
- 8 Filed as part of the Company's Registration Statement on Form S-4 (No. 333-88903).

SCHEDULE II

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS ENDED DECEMBER 31

IN THOUSANDS	BALANCE AT BEGINNING OF PERIOD	CHARGED/ (CREDITED) TO EXPENSE	CHARGED TO OTHER ACCOUNTS (1)	DEDUCTIONS FROM RESERVES(2)	BALANCE AT END OF PERIOD
<hr/>					
1999					
Warranty and overhaul reserves.....	\$22,985	\$10,805	\$4,813	\$11,771	\$26,832
Allowance for doubtful accounts.....	3,530	1,409	117	1,073	3,983
Valuation allowance-taxes.....	17,204	--	7,163	1,400	8,641
Inventory reserves.....	16,862	14,480	886	10,685	21,543
Merger and restructuring reserve.....	--	50,184	--	41,479	8,705
1998					
Warranty and overhaul reserves.....	\$21,473	\$13,956	\$4,936	\$17,380	\$22,985
Allowance for doubtful accounts.....	2,439	906	712	527	3,530
Valuation allowance-taxes.....	17,204	--	--	--	17,204
Inventory reserves.....	10,219	6,170	4,590	4,117	16,862
1997					
Warranty and overhaul reserves.....	\$15,225	\$14,081	\$2,281	\$10,114	\$21,473
Allowance for doubtful accounts.....	1,631	1,186	36	414	2,439
Valuation allowance-taxes.....	19,278	--	--	2,074	17,204
Inventory reserves.....	11,856	5,618	2,441	9,696	10,219
<hr/>					

(1) Reserves of acquired companies

(2) Actual disbursements and/or charges

\$275,000,000 REVOLVING CREDIT FACILITY
\$275,000,000 CONVERTIBLE REVOLVING CREDIT FACILITY

AMENDED AND RESTATED

REFINANCING
CREDIT AGREEMENT

by and among

WESTINGHOUSE AIR BRAKE COMPANY

and

THE BANKS PARTY HERETO

and

ABN AMRO BANK N.V.,

AS BOOKRUNNER AND CO-SYNDICATION AGENT,

AND

THE CHASE MANHATTAN BANK, AS ADMINISTRATIVE AGENT,

AND

THE BANK OF NEW YORK, AS CO-SYNDICATION AGENT,

AND

MELLON BANK, N.A.,

AS DOCUMENTATION AGENT

Dated as of November 19, 1999

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AMENDED AND RESTATED
REFINANCING
CREDIT AGREEMENT

THIS AMENDED AND RESTATED REFINANCING CREDIT AGREEMENT (this "Agreement") is dated as of November 19, 1999, and is made by and among WESTINGHOUSE AIR BRAKE COMPANY, a Delaware corporation (the "Borrower") resulting from the merger of Westinghouse Air Brake Company, a Delaware corporation ("WABCO"), and MotivePower Industries, Inc., a Pennsylvania corporation (formerly a Delaware corporation) ("MotivePower"), each of the Guarantors (as hereinafter defined), the BANKS (as hereinafter defined), and ABN AMRO BANK N.V., in its capacity as bookrunner and co-syndication agent for the Banks from time to time under this Agreement (hereinafter referred to in such capacity as the "Agent") and as an Issuing Bank, THE CHASE MANHATTAN BANK, as administrative agent, THE BANK OF NEW YORK, as co-syndication agent, and MELLON BANK, N.A., in its capacity as documentation agent for the Banks from time to time under this Agreement (hereinafter referred to in such capacity as the "Documentation Agent"), and CHASE MANHATTAN BANK DELAWARE, as an Issuing Bank.

WITNESSETH:

WHEREAS, MotivePower, Guarantors, various banks from time to time party thereto, Agent, and Documentation Agent are parties to an amended and restated credit agreement, dated as of March 2, 1999 (as amended up to but not including the date hereof, the "MotivePower Credit Agreement"), providing for, inter alia, (i) a revolving credit facility to the Borrower in an aggregate principal amount not to exceed \$175,000,000 and (ii) a \$175,000,000 convertible revolving credit facility; and

WHEREAS, WABCO, various financial institutions from time to time party thereto, The Chase Manhattan Bank, as swingline lender, administrative agent and collateral agent, Chase Manhattan Bank Delaware, as issuing bank, and The Bank of New York, as documentation agent, are parties to a credit agreement, dated as of June 30, 1998, and amended and restated as of October 2, 1998 (as amended up to but not including the date hereof, the "WABCO Credit Agreement"), providing for, inter alia, (i) the continuation of term loans in the aggregate amount then outstanding of \$210,000,000 and (ii) revolving loans in the maximum aggregate amount of \$140,000,000; and

WHEREAS, pursuant to an amended and restated agreement and plan of merger, dated as of September 26, 1999, as amended through the Closing Date, between MotivePower and WABCO (as so amended, the "Merger Agreement"), such parties have merged (the "Merger") and Borrower is the resulting corporation; and

WHEREAS, the Borrower has requested the Banks to refinance the amounts outstanding under the MotivePower Credit Agreement and the WABCO Credit Agreement by way of an amendment and restatement of the MotivePower Credit Agreement to make certain changes thereto and to provide for (i) a five-year revolving credit facility to the Borrower in an aggregate principal amount not to exceed \$275,000,000 and (ii) a 364-day \$275,000,000 convertible revolving credit facility; and

WHEREAS, the revolving credit and convertible revolving credit facilities shall be used for the general corporate purposes of Borrower and the Guarantors; and

WHEREAS, the Banks are willing to provide such credit and refinance the amounts outstanding under the MotivePower Credit Agreement and the WABCO Credit Agreement by way of an amendment

and restatement of the MotivePower Credit Agreement upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

CERTAIN DEFINITIONS

Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following respective meanings, unless the context hereof clearly requires otherwise:

ABN AMRO Bank or ABN AMRO shall mean ABN AMRO Bank N.V., its successors and assigns.

Adjustment Date shall mean the date by which financial statements are required to be delivered to Agent pursuant to Sections 8.3.1 and 8.3.2, with the first Adjustment Date being November 14, 1999.

Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agent shall mean ABN AMRO Bank N.V., its successors and assigns.

Agent's Fee shall have the meaning assigned to that term in Section 10.15.

Agent's Letter shall have the meaning assigned to that term in Section 10.15.

Agreement shall mean this Amended and Restated Refinancing Credit Agreement, as the same may be supplemented or amended from time to time, including all schedules and exhibits.

Annual Statements shall have the meaning assigned to that term in Section 6.1.8(i).

Applicable Convertible Revolving Credit Commitment Fee Rate shall mean the basis points per annum at the indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Convertible Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Commitment Fee." The Applicable Convertible Revolving Credit Commitment Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

Applicable Margin shall mean, as applicable:

(A) the basis points per annum spread to be added to the Euro-Rate under the Revolving Credit Euro-Rate Option at the indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Applicable Euro-Rate Margin," or

(B) the basis points per annum spread to be added to the Euro-Rate under the Convertible Revolving Credit Euro-Rate Option at the indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Convertible Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Applicable Euro-Rate Margin," or

(C) the basis points per annum spread to be added to the Cost of Funds Rate with respect to Swingline Loans at the indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Convertible Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Applicable Euro-Rate Margin."

The Applicable Margin shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

Applicable Revolving Credit Commitment Fee Rate shall mean the basis points per annum at the indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Commitment Fee." The Applicable Revolving Credit Commitment Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

Assignee Bank shall have the meaning assigned to that term in Section 2.10.2.

Assignment and Assumption Agreement shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank, a Transferor Bank and the Agent, as Agent and on behalf of the remaining Banks, substantially in the form of Exhibit 1.1(A).

Authorized Officer shall mean those individuals, designated by written notice to the Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Agent.

Banks shall mean the financial institutions from time to time named on Schedule 1.1(B), as amended from time to time, and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a "Bank."

Bank to be Terminated shall have the meaning assigned to such term in Section 2.10.2.

Base Rate shall mean the greater (redetermined daily) of (i) the interest rate per annum announced from time to time by the Agent at its principal offices in Chicago as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Agent, or (ii) the Federal Funds Effective Rate plus 0.5% per annum.

Base Rate Option shall mean either the Revolving Credit Base Rate Option or the Convertible Revolving Credit Base Rate Option, as applicable.

Benefit Arrangement shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored, or otherwise contributed to by any member of the ERISA Group.

Bid shall have the meaning assigned to such term in Section 2.8.2.

Bid Loan Aggregate Sublimit shall have the meaning assigned to such term in Section 2.8.1.

Bid Loan Banks shall have the meaning assigned to such term in Section 9.3.

Bid Loan Borrowing Date shall mean, with respect to any Bid Loan, the date for the making thereof, which shall be a Business Day.

Bid Loan Euro-Rate Option shall mean the option of the Borrower to request that the Banks submit Bids to make Bid Loans bearing interest at a rate per annum quoted by such Banks at the Euro-Rate in effect two Business Days before the Borrowing Date of such Bid Loan plus the Euro-Rate Bid Loan Spread.

Bid Loan Fixed Rate Option shall mean the option of the Borrower to request that the Banks submit Bids to make Bid Loans bearing interest at a fixed rate per annum quoted by such Banks as a numerical percentage (and not as a spread over another rate such as the Euro-Rate).

Bid Loan Processing Fee shall have the meaning assigned to such term in Section 10.15.

Bid Loan Interest Period shall have the meaning assigned to such term in Section 2.8.1.

Bid Loan Request shall have the meaning assigned to such term in Section 2.8.1.

Bid Loans shall mean collectively and Bid Loan shall mean separately all of the Bid Loans or any Bid Loan made by any of the Banks to the Borrower pursuant to Section 2.8.

Bid Note shall mean any Bid Note of the Borrower in the form of Exhibit 1.1(B) issued by the Borrower evidencing the Bid Loans to such Bank, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Borrower shall mean Westinghouse Air Brake Company, a corporation organized and existing under the laws of the State of Delaware and resulting from the merger of WABCO and MotivePower.

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

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (i) all Loans to which a Euro-Rate Option or a Bid Loan Fixed Rate Option applies, which become subject to the same Interest Rate Option and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

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, Chicago, Illinois, or New York, New York; and if the applicable Business Day relates to any Loan to which the Euro-Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

Cash Flow for any period of determination shall mean (i) the sum of net income, depreciation, amortization, other noncash charges to net income, interest expense (including the interest component of payments made in connection with capitalized leases, synthetic leases, and the like), income tax expense, and the actual and direct costs and expenses of and restructuring charges associated with the Merger incurred by Borrower and its Subsidiaries in 1999, 2000, and 2001 up to an amount equal to \$47,060,000 for Borrower's fiscal year ending in 1999, up to an amount equal to \$6,280,000 for Borrower's fiscal year ending in 2000, and up to an amount equal to \$3,010,000 for Borrower's fiscal year ending in 2001 minus (ii) noncash credits to net income and extraordinary income, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

Capital Expenditures shall mean for any period the sum of all amounts that would, in accordance with GAAP, be included as additions to property, plant, and equipment and other capital expenditures on a consolidated statement of cash flows for the Borrower for such period. Notwithstanding the foregoing, the term Capital Expenditures shall not include (i) those amounts expended in connection with making Permitted Acquisitions, or (ii) capital expenditures in respect of the expenditure of proceeds received by the Borrower or any Subsidiary in connection with the condemnation of or casualty to the Borrower's assets or properties.

Change of Control shall have the meaning ascribed to that term in Section 9.1.13 hereof.

Closing Date shall mean November 19, 1999, and shall mean the date on which this Agreement is fully executed by the parties hereto. The closing shall take place at 10:00 a.m., Pittsburgh time, on November 19, 1999, at the offices of Buchanan Ingersoll, or at such other time and place as the parties agree; provided, however, that notwithstanding any other term or condition hereof, the Closing Date shall occur no later than December 31, 1999.

Commercial Letter of Credit shall mean any Letter of Credit which is a commercial letter of credit issued in respect of the purchase of goods or services by one or more of the Loan Parties in the ordinary course of their business.

Commercial Letter of Credit Fee shall have the meaning assigned to that term in Section 2.9.2.

Commitment shall mean as to any Bank the aggregate of its Revolving Credit Commitment and Convertible Revolving Credit Commitment and, in the case of ABN AMRO, its Swingline Commitment, and Commitments shall mean the aggregate of the Revolving Credit Commitments and Convertible Revolving Credit Commitments and Swingline Commitments of all of the Banks.

Commitment Fees shall mean the fees referred to in Section 2.3.

Committed Loan shall mean a Revolving Credit Loan, a Convertible Revolving Credit Loan, or a Swingline Loan.

Committed Loan Euro-Rate Option shall mean either a Revolving Credit Euro-Rate Option or a Convertible Revolving Credit Euro-Rate Option.

Committed Loan Interest Period shall have the meaning assigned to that term in Section 4.2.

Committed Loan Request shall mean a request, in the form of Exhibit 2.5, made in accordance with Section 2.5 or Section 3.2 for a Revolving Credit Loan or a Convertible Revolving Credit Loan or a request to select, convert to, or renew a Base Rate Option or Euro-Rate Option with respect to an outstanding Revolving Credit Loan or Convertible Revolving Credit Loan.

Consideration shall mean, with respect to any Permitted Acquisition and without duplication of amounts, the aggregate of (i) the cash paid by Borrower or any of its Subsidiaries, directly or indirectly, to the seller in connection therewith, (ii) the Indebtedness incurred or assumed by Borrower or any of its Subsidiaries, whether in favor of the seller or otherwise and whether fixed or contingent, (iii) any Guaranty given or incurred by Borrower or any of its Subsidiaries in connection therewith, and (iv) any other consideration given or obligation incurred by Borrower or any of its Subsidiaries in connection therewith.

Consolidated Tangible Net Worth shall mean as of any date of determination without duplication, total stockholders' equity less intangible assets of the Borrower and its Subsidiaries, as of such date of determination, determined and consolidated in accordance with GAAP.

Consolidated Total Indebtedness shall mean the total Indebtedness of Borrower and its Subsidiaries on a consolidated basis and without duplication of amounts.

Convertible Revolving Credit Base Rate Option shall mean the option of the Borrower to have Convertible Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.2(i).

Convertible Revolving Credit Commitment shall mean, as to any Bank at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Convertible Revolving Credit Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement or as otherwise amended in accordance with the terms hereof, and Convertible Revolving Credit Commitments shall mean the aggregate Convertible Revolving Credit Commitments of all of the Banks.

Convertible Revolving Credit Euro-Rate Option shall mean the option of the Borrower to have Convertible Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.2(ii).

Convertible Revolving Credit Expiration Date shall mean, with respect to the Convertible Revolving Credit Commitments, November 16, 2000, as such date may be extended in accordance with the terms hereof, but in no event beyond the Revolving Credit Expiration Date.

Convertible Revolving Credit Loans shall mean collectively and Convertible Revolving Credit Loan shall mean separately all Convertible Revolving Credit Loans or any Convertible Revolving Credit Loan made by the Banks or one of the Banks to the Borrower pursuant to Section 3. A Bid Loan is not a Convertible Revolving Credit Loan; a Bid Loan will be treated as a Revolving Credit Loan following a termination of the Commitments hereunder pursuant to Section 9.2.1 or Section 9.2.2, as provided in Section 9.3.

Convertible Revolving Credit Note shall mean any Convertible Revolving Credit Note of the Borrower in the form of Exhibit 1.1(C) issued by the Borrower at the request of a Bank pursuant to Section 5.9 evidencing the Convertible Revolving Credit Loans to such Bank, together with all amendments, extensions, renewals, replacements, refinancings, or refundings thereof in whole or in part.

Convertible Revolving Facility Usage shall mean at any time the sum of the Convertible Revolving Credit Loans outstanding.

Cost of Funds Rate shall mean the interest rate per annum determined from time to time by the Agent as its then cost of funds, which rate may not be the lowest cost of funds available to Agent, in any one or more money markets to which Agent may have access. The Cost of Funds Rate shall be a fluctuating rate per annum (computed on the basis of a year of 360 days for the actual number of days elapsed), such interest rate to change automatically from time to time effective as of the effective date of each change in the Cost of Funds Rate.

Dollar, Dollars, U.S. Dollars, and the symbol \$ shall mean lawful money of the United States of America.

Dollar Equivalent shall mean 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 Agent's then current selling rate of exchange, as reasonably determined by Agent, for payment by teletransmission or otherwise to 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 Agent in connection therewith.

"domestic" with respect to any Person means that such Person is organized under the Laws of the United States or a state thereof or the District of Columbia.

Drawing Date shall have the meaning assigned to that term in Section 2.9.3.2.

Environmental Complaint shall mean any written complaint setting forth a cause of action for personal or property damage or natural resource damage or equitable relief, order, notice of violation, citation, request for information issued pursuant to any Environmental Laws by an Official Body, subpoena, or other written notice of any type relating to, arising out of, or issued pursuant to any of the Environmental Laws or any Environmental Conditions, as the case may be.

Environmental Conditions shall mean any conditions of the environment, including the workplace, the ocean, natural resources (including flora or fauna), soil, surface water, groundwater, any actual or potential drinking water supply sources, substrata, or the ambient air, relating to or arising out of, or caused by, the use, handling, storage, treatment, recycling, generation, transportation, release,

spilling, leaking, pumping, emptying, discharging, injecting, escaping, leaching, disposal, dumping, threatened release, or other management or mismanagement of Regulated Substances resulting from the use of, or operations on, any Property.

Environmental Laws shall mean all federal, state, local, and foreign Laws and regulations, including permits, licenses, authorizations, bonds, orders, judgments, and consent decrees issued, or entered into, pursuant thereto, relating to pollution or protection of human health or the environment or employee safety in the workplace.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Borrower (and MotivePower and WABCO) and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

Euro-Rate shall mean, with respect to the Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, an interest rate per annum determined by the Agent by dividing (the resulting quotient rounded upward to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates of interest per annum for Dollars set forth on Telerate Page 3750 at approximately 11:00 a.m., London time, two Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and maturity comparable to such Interest Period, or, if no such rate appears on the Telerate Page 3750, the rate of interest per annum determined by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) equal to the rate per annum at which Dollar deposits approximately equal in principal amount to such Borrowing Tranche for a period and with a maturity comparable to such Interest Period are offered to the principal London office of Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period ("LIBOR") by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{LIBOR}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Euro-Rate Option outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Agent shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error. The term "Telerate Page 3750" shall mean the display designated "Page 3750" of the Telerate Service (or such other page as may replace such page on such service for the purpose of displaying comparable rates).

Euro-Rate Bid Loan shall mean any Bid Loan that bears interest under the Bid Loan Euro-Rate Option.

Euro-Rate Bid Loan Spread shall mean the spread quoted by a Bank in its Bid to apply to such Bank's Bid Loan if such Bank's Bid is accepted. The Euro-Rate Bid Loan Spread shall be quoted as a percentage rate per annum and expressed in multiples of 1/1000 of one percentage point to be either added to (if it is positive) or subtracted from (if it is negative) the Euro-Rate in effect two (2) Business Days before the Borrowing Date with respect to such Bid Loan. Interest on Euro-Rate Bid Loans shall be computed based on a year of 360 days and actual days elapsed.

Euro-Rate Interest Period shall mean the Interest Period applicable to a Euro-Rate Loan.

Euro-Rate Option shall mean the Revolving Credit Euro-Rate Option, the Convertible Revolving Credit Euro-Rate Option, or the Bid Loan Euro-Rate Option.

Euro-Rate Reserve Percentage shall mean the maximum percentage (expressed as a decimal rounded upward to the nearest 1/100 of 1%) as determined by the Agent which is in effect during any relevant period, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System.

Event of Default shall mean any of the events described in Section 9.1 and referred to therein as an "Event of Default."

Extending Bank shall have the meaning assigned to such term in Section 2.10.2.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days for the actual number of days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

Financial Projections shall have the meaning assigned to that term in Section 6.1.8(ii).

Fixed Rate shall mean a fixed interest rate quoted by a Bank in its Bid to apply to such Bank's Bid Loan over the term of such Bid Loan if such Bank's Bid is accepted.

Fixed Rate Bid Loan shall mean a Bid Loan that bears interest under the Bid Loan Fixed Rate Option.

GAAP shall mean generally accepted accounting principles as are in effect from time to time in the United States, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts.

Governmental Acts shall have the meaning assigned to that term in Section 2.9.8.

Guarantor shall mean each of the Loan Parties and each other Person which joins this Agreement as a Guarantor after the date hereof pursuant to Section 11.18, but excluding the Borrower.

Guarantor Joinder shall mean a joinder by a Person as a Guarantor under this Agreement, the Guaranty Agreement, and the other Loan Documents (other than a Hedge Agreement) substantially in the form of Exhibit 1.1(G)(1).

Guaranty of any Person shall mean any obligation of such Person guarantying or in effect guarantying any liability or obligation of any other Person in any manner, whether directly or indirectly, including any performance bond or other suretyship arrangement, and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Guaranty Agreement shall mean the Guaranty in substantially the form of Exhibit 1.1(G)(2) executed and delivered by each of the Guarantors to the Agent for the benefit of the Banks.

Hedge Agreement shall mean any and all manner of Swap Agreement which is entered into by the Borrower or any Subsidiary of Borrower with any financial institution of reasonably sufficient creditworthiness solely for risk management purposes.

Historical Statements shall have the meaning assigned to that term in Section 6.1.8(i).

Indebtedness shall mean, as to any Person at any time, any and all indebtedness, obligations, or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement or payment obligations (contingent or otherwise) under or in connection with any letter of credit, surety bond (but only to the extent that the aggregate amount of surety bonds outstanding at any time exceed \$75,000,000), or Swap Agreement, with the value of any such Swap Agreement being determined at the end of each quarter in accordance with a method of valuation reasonably acceptable to the Agent based upon a daily mark-to-market method of calculation, (iv) any other transaction (including forward sale or purchase agreements, capitalized leases, synthetic leases, and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than sixty (60) days past due), or (v) the current portion of mandatory redeemable stock or similar interests, or (vi) any Guaranty of Indebtedness.

Indentures shall mean that indenture, dated as of June 20, 1995, between WABCO and the Bank of New York, as trustee, and that indenture, dated as of January 12, 1999, between WABCO and the Bank of New York, as trustee, as such Indentures may be amended or supplemented through the Closing Date.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action, or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization, or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or conservator (or similar

official) of any Loan Party or otherwise relating to the liquidation, dissolution, winding-up, or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors undertaken under any Law.

Intercompany Subordination Agreement shall mean the Intercompany Subordination Agreement in substantially the form of Exhibit 1.1(I)(2) executed and delivered by each of the Loan Parties to the Agent for the benefit of the Banks.

Interest Period shall mean either a Committed Loan Interest Period or a Bid Loan Interest Period.

Interest Rate Option shall mean any Committed Loan Euro-Rate Option, Bid Loan Euro-Rate Option, Bid Loan Fixed Rate Option, or Base Rate Option.

Interim Statements shall have the meaning assigned to that term in Section 6.1.8(i).

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Investment shall mean the transfer or payment of anything of value from one Person to or on behalf of another Person, whether or not in return for an ownership interest, which transfer is not a loan from the Person making the payment or transfer, and "Investment" shall include all capital and similar contributions, purchases of equity, and similar payments and distributions, except that "Investment" shall not mean any Consideration paid, incurred, given, or assumed in connection with a Permitted Acquisition and shall not mean the purchase of goods or services in the ordinary course of business.

Issuing Bank shall mean ABN AMRO Bank N.V. or Chase Manhattan Bank Delaware, provided that with respect to any Letters of Credit issued hereunder on or after the date hereof other than those Letters of Credit deemed to be issued hereunder pursuant to Section 11.19 hereof, the Issuing Bank shall only mean ABN AMRO Bank N.V.

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party (or any predecessor of any Loan Party) and its employees.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, award, or the like of any Official Body.

Letter of Credit shall have the meaning assigned to that term in Section 2.9.1.

Letter of Credit Borrowing shall mean an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made and shall not have been converted into a Revolving Credit Loan under Section 2.9.3.2.

Letters of Credit Outstanding shall mean at any time the sum of the Dollar Equivalent of the (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations.

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

Loan Documents shall mean this Agreement, the Agent's Letter, the Guaranty Agreement, the Intercompany Subordination Agreement, each Guarantor Joinder, and any other instruments, certificates, or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, together with any Hedge Agreement with any Bank or any Affiliate thereof, and Loan Document shall mean any of the Loan Documents.

Loan Parties shall mean the Borrower and each and every present and future direct or indirect domestic Subsidiary of Borrower, and each and every present and future direct or indirect non-domestic Subsidiary of Borrower that executes this Agreement as a Guarantor or which executes a Guarantor Joinder pursuant to the terms hereof.

Loan Request shall mean either a Bid Loan Request or a Committed Loan Request.

Loans shall mean collectively and Loan shall mean separately all Revolving Credit Loans, Bid Loans, Swingline Loans and Convertible Revolving Credit Loans or any Revolving Credit Loan, Bid Loan, Swingline Loan or Convertible Revolving Credit Loan.

Material Adverse Change shall mean any set of circumstances or events which (a) has or would reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or would reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (c) impairs materially or would reasonably be expected to impair materially the ability of the Borrower and its Subsidiaries taken as a whole to duly and punctually pay or perform its Indebtedness, or (d) impairs materially or would reasonably be expected to impair materially the ability of the Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

Mellon Bank, N.A. shall mean Mellon Bank, N.A., its successors and assigns.

Merger is defined in the preamble.

Merger Agreement is defined in the preamble.

Month, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which

there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Moody's shall mean Moody's Investors Service, Inc. and its successors.

MotivePower is defined in the preamble.

MotivePower Credit Agreement is defined in the preamble.

Multiemployer Plan shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

Multiple Employer Plan shall mean a Plan which has two or more contributing sponsors (including the Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.

Net Consideration shall mean the aggregate amount of all Consideration paid, incurred, given, or assumed since September 30, 1999, by Borrower or any Subsidiary thereof in connection with any Permitted Acquisition which results in the acquisition of a non-domestic Subsidiary of Borrower or of assets held by a non-domestic Subsidiary of Borrower, except that (i) there shall be deducted from the amount of such Consideration the aggregate amount at any time of calculation of cash dividends, assets, and property transferred or paid to Borrower or any of its domestic Subsidiaries since September 30, 1999, by any Person acquired in such a Permitted Acquisition (without, however, deduction of amounts deducted in the calculation of Net Investments), and (ii) the Indebtedness component of any such Consideration shall equal solely the principal amount outstanding at any time of calculation. For purposes of valuing the amount of any assets or property transferred to Borrower or any of its domestic Subsidiaries from any Person acquired in such a Permitted Acquisition, the amount thereof shall be valued at the book value of the asset or property at the time such asset or property is transferred to Borrower or its domestic Subsidiary.

Net Investments shall mean the aggregate amount of all Investments made by Borrower or any Subsidiary thereof since September 30, 1999, to or in any Venture or non-domestic Subsidiary minus the aggregate amount of cash dividends, assets, and property transferred or paid to Borrower or any of its domestic Subsidiaries (other than as repayment of a loan) since September 30, 1999, from any Venture or non-domestic Subsidiary of Borrower. For purposes of valuing the amount of any Investment made in the form of assets or property (other than cash), the amount of such Investment shall be valued at the book value of the asset or property at the time the Investment is made. For purposes of valuing the amount of any assets or property transferred to Borrower or any of its domestic Subsidiaries from any Venture or non-domestic Subsidiary of Borrower, the amount thereof shall be valued at the book value of the asset or property at the time such asset or property is transferred to Borrower or its domestic Subsidiary.

"non-domestic" with respect to any Person means that such Person is organized under the Laws of a country (or a political subdivision of any such country) other than the United States.

Notes shall mean the Revolving Credit Notes, Bid Notes, Swingline Note, and the Convertible Revolving Credit Notes, if any.

notices shall have the meaning assigned to that term in Section 11.6.

Obligation shall mean each and every obligation or liability of any of the Loan Parties to the Agent or any of the Banks or any Affiliate of any of the Banks, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, any Notes, the Letters of Credit, the Agent's Letter, or any other Loan Document.

Offered Amount shall have the meaning assigned to such term in Section 2.8.2.

Official Body shall mean any national, federal, state, local, or other government or political subdivision or any agency, authority, bureau, central bank, commission, department, or instrumentality of any thereof, or any court, tribunal, grand jury, or arbitrator, in each case whether foreign or domestic.

Participation Advance shall mean, with respect to any Bank, such Bank's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share of the Revolving Credit Commitment pursuant to Section 2.9.4.

Payoff Letters shall have the meaning ascribed to such term in Section 7.1.11.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Permitted Acquisitions shall have the meaning assigned to such term in Section 8.2.5.

Permitted Investments shall mean:

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of investment;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1 by Standard & Poor's or P-1 by Moody's on the date of acquisition;

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A, or the equivalent or better by Standard & Poor's on the date made or acquired;

(iv) intercompany loans or investments by domestic Loan Parties to or in domestic Loan Parties;

(v) loans or Investments to or in Ventures or non-domestic Subsidiaries of Borrower in an aggregate amount of loans outstanding at any time of calculation and of Net Investments in existence at any time of calculation not in excess of the equivalent amount of \$100,000,000 minus the

sum (in the equivalent amount of Dollars and without counting any item addressed in this Clause (v) more than once) of (A) the aggregate amount of all Indebtedness of the non-domestic Subsidiaries of Borrower owing at such time of calculation to any Person other than the Borrower or any Subsidiary thereof, (B) the aggregate amount of all Indebtedness at such time of calculation of all Ventures to the extent Borrower or any Subsidiary of Borrower is obligated (contractually or by Law) thereon to any Person other than the Borrower or any Subsidiary thereof, and (C) Net Consideration;

(vi) loans by non-domestic Subsidiaries to Borrower, provided that each such loan is subject to the Intercompany Subordination Agreement or a subordination agreement substantially similar thereto; and

(vii) short term money market funds offered by any of the Banks or comparable financial institutions which investments comply with the investment restrictions indicated in items (i) through (iii) of this definition of Permitted Investments.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable or which are being contested in good faith and for which the Borrower maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments, or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default or are being contested in good faith and for which the Borrower maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such obligations or lease payments forthwith upon the commencement of proceedings to foreclose any such Lien;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money), or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance, or other similar bonds required in the ordinary course of business together with such unperfected Liens as may arise by virtue of the execution of an agreement for the services of a surety;

(v) Encumbrances consisting of zoning restrictions, easements, or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests, and mortgages in favor of the Agent for the benefit of the Banks and, to the extent any such Liens exist, but solely to such extent, Liens in favor of holders of any Securities (as such term is defined under the Indentures) under any of the Indentures;

(vii) Liens on property leased by Borrower or any Subsidiary of Borrower under operating leases securing obligations of such Person to the lessor under such leases;

(viii) Liens arising in connection with Indebtedness permitted by Section 8.2.1(iii), provided that the amount secured thereby is not materially in excess of the principal amount of such Indebtedness, and no additional assets become subject to such Lien;

(ix) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(x) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed and (B) if a final judgment is entered with respect thereto and such judgment is discharged within forty (40) days of entry, and they do not in the aggregate materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments, or charges due and payable and subject to interest or penalty, provided that Borrower or any Subsidiary of Borrower, as applicable, maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments, or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens, or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens;

(4) Liens resulting from final judgments or orders described in Section 9.1.6; or

(xi) Liens in connection with Securitizations permitted by Section 8.2.6.

Provided, however, that no Lien on any shares of capital stock or other evidences of ownership of or equity participation in any non-domestic Subsidiary of Borrower shall be a Permitted Lien.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

Potential Default shall mean any event or condition which with notice, passage of time, or a determination by the Agent or the Required Banks, or any combination of the foregoing, would constitute an Event of Default.

Principal Office shall mean the main banking office of the Agent in Pittsburgh, Pennsylvania, or New York, New York, or such other location, as expressly stated herein.

Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

Property shall mean all real property, both owned and leased, of Borrower or any of its Subsidiaries.

Pulse Note shall mean the promissory note, dated as of January 31, 1995, in the original principal amount of \$16,990,000 given by WABCO to the order of Pulse Electronics, Inc., and Pulse Embedded Computer Systems, Inc.

Purchase Money Security Interest shall mean Liens upon tangible personal property securing loans to Borrower or any Subsidiary of Borrower or deferred payments by any such Person for the purchase of such tangible personal property.

Purchasing Bank shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

Ratable Share with respect to the Revolving Credit Commitment shall mean the proportion that a Bank's Revolving Credit Commitment bears to the Revolving Credit Commitments of all of the Banks and Ratable Share with respect to the Convertible Revolving Credit Commitment shall mean the proportion that a Bank's Convertible Revolving Credit Commitment bears to the Convertible Revolving Credit Commitments of all of the Banks; and, Ratable Share with respect to Letters of Credit Outstanding or Swingline Loans shall mean the proportion that a Bank's respective share thereof bears to respectively, all Letters of Credit Outstanding or Swingline Loans after giving effect to such Bank's participation therein in accordance with the terms hereof.

Regulated Substances shall mean any substance, including any solid, liquid, semisolid, gaseous, thermal, thoriated, or radioactive material, refuse, garbage, wastes, chemicals, petroleum products, by-products, coproducts, impurities, dust, scrap, heavy metals, defined as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic waste," "hazardous waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any related materials, substances, or wastes as now or hereafter

defined pursuant to any Environmental Laws, ordinances, rules, regulations or other directives of any Official Body, the generation, manufacture, extraction, processing, distribution, treatment, storage, disposal, transport, recycling, reclamation, use, reuse, spilling, leaking, dumping, injection, pumping, leaching, emptying, discharge, escape, release, or other management or mismanagement of which is regulated by the Environmental Laws.

Regulation U shall mean Regulation U, T, or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

Reimbursement Obligation shall have the meaning assigned to such term in Section 2.9.3.2.

Rents shall mean rent expense pursuant to operating leases of Borrower or any Subsidiary of Borrower.

Reportable Event shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan or Multiemployer Plan.

Requested Amount shall have the meaning assigned to such term in Section 2.8.1.

Required Banks shall mean:

(A) if there are no Loans (other than Swingline Loans or Bid Loans), or Letter of Credit Borrowings outstanding, or Letters of Credit Outstanding, Required Banks shall mean Banks whose Commitments (other than Swingline Commitments) aggregate at least 51% of the Commitments (other than Swingline Commitments), of all of the Banks, or

(B) if there are Loans (other than Swingline Loans or Bid Loans), Letter of Credit Borrowings outstanding, or Letters of Credit Outstanding, Required Banks shall mean:

(i) prior to a termination of the Commitments hereunder pursuant to Section 9.2.1 or 9.2.2, any Bank or group of Banks if the sum of the Committed Loans (other than Swingline Loans), Letters of Credit Outstanding, and Letter of Credit Borrowings of such Banks then outstanding aggregates at least 51% of the total principal amount of all of the Committed Loans (other than Swingline Loans), Letters of Credit Outstanding and Letter of Credit Borrowings then outstanding;

(ii) after a termination of the Commitments hereunder pursuant to Section 9.2.1 or 9.2.2, any Bank or group of Banks if the sum of the Loans (other than Swingline Loans or Bid Loans), Letters of Credit Outstanding, and Letter of Credit Borrowings of such Banks then outstanding aggregates at least 51% of the total principal amount of all of the Loans (other than Swingline Loans or Bid Loans), Letters of Credit Outstanding, and Letter of Credit Borrowings then outstanding.

Letters of Credit Outstanding and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the appropriate Issuing Bank and not a participating Bank if such Bank has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

Revolving Credit Banks shall mean the Banks holding Revolving Credit Commitments.

Revolving Credit Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.1.1(i).

Revolving Credit Commitment shall mean, as to any Bank at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Revolving Credit Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement or as otherwise amended in accordance with the terms hereof, and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the Banks.

Revolving Credit Euro-Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.1.1(ii).

Revolving Credit Expiration Date shall mean, with respect to the Revolving Credit Commitments, November 19, 2004, as such date may be extended in accordance with the terms hereof.

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Banks or any one of the Banks to the Borrower pursuant to Section 2. A Bid Loan is not a Revolving Credit Loan, except that it will be treated as a Revolving Credit Loan following a termination of the Commitments hereunder pursuant to Section 9.2.1 or 9.2.2 as provided in Section 9.3.

Revolving Credit Note shall mean any Revolving Credit Note of the Borrower in the form of Exhibit 1.1(R) issued by the Borrower at the request of a Bank pursuant to Section 5.9 evidencing the Revolving Credit Loans to such Bank, together with all amendments, extensions, renewals, replacements, refinancings, or refundings thereof in whole or in part.

Revolving Facility Usage shall mean at any time the sum of the Revolving Credit Loans outstanding and the Letters of Credit Outstanding.

SEC shall mean the Securities and Exchange Commission or any governmental agencies substituted therefor.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Standby Letter of Credit shall mean a Letter of Credit issued to support obligations of one or more of the Loan Parties, contingent or otherwise, which facilitate the working capital and business needs of the Loan Parties incurred in the ordinary course of business.

Standby Letter of Credit Fee shall have the meaning assigned to that term in Section 2.9.2.

Subsidiary of any Person at any time shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time

owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

Subsidiary Shares shall have the meaning assigned to that term in Section 6.1.2.

Swap Agreement shall mean any agreement (including terms and conditions incorporated by reference therein) which is an interest rate swap agreement, basis swap, forward interest rate agreement, commodity swap, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, interest rate cap agreement, interest rate floor agreement, interest rate collar agreement, currency swap agreement, cross-currency swap agreement, currency option, or any other similar agreement (including any option to enter into any of the foregoing) or any combination of the foregoing or a master agreement for any of the foregoing, together with all supplements and confirmations related thereto, regardless as to all of the foregoing whether entered into for a risk management, speculative, or other purpose.

Swingline Bank shall mean ABN AMRO.

Swingline Commitment shall mean the obligation of the Swingline Bank to make Loans pursuant to Section 2.11.1 as set forth on Schedule 1.1(B), as the same may be amended from time to time in accordance with the terms hereof.

Swingline Loans is defined in Section 2.11.1.

Taxes shall have the meaning assigned to that term in Section 5.7.1.

Transferor Bank shall mean the selling Bank pursuant to an Assignment and Assumption Agreement.

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

WABCO is defined in the preamble.

WABCO Credit Agreement is defined in the preamble.

Construction.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents (other than a Hedge

Agreement): (a) references to the plural include the singular, the plural, the part and the whole; unless the context clearly indicates otherwise "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation"; (b) references to "determination" of or by the Agent or the Banks shall be deemed to include good-faith estimates by the Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error; (c) whenever the Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good faith; (d) the words "hereof," "herein," "hereunder," "hereto," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document; (e) the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any) preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect; (f) article, section, subsection, clause, schedule, and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified; (g) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity; (h) reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document, or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded, or restated; (i) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and; references to "shall" and "will" are intended to have the same meaning.

Accounting Principles.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 8.2 [Negative Covenants] and all defined terms used in the definition of any accounting term used in Section 8.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof, applied on a basis consistent with those used in preparing the Annual Statements referred to in Section 6.1.8(i). In the event of any change after the date hereof in GAAP or in the fiscal year of Borrower or any Subsidiary thereof, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 8.2 based upon the Borrower's regularly prepared financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrower's financial statements at that time.

REVOLVING CREDIT FACILITY

Revolving Credit Commitments.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Revolving Credit Expiration Date, provided that after giving effect to each such Loan the aggregate amount of Revolving Credit Loans from such Bank shall not exceed such Bank's Revolving Credit Commitment minus such Bank's Ratable Share of the Letters of Credit Outstanding and Ratable Share of Swingline Loans. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay, and reborrow pursuant to this Section 2.1. All outstanding Revolving Credit Loans shall be due and payable on the Revolving Credit Expiration Date.

Nature of Banks' Obligations With Respect to Revolving Credit Loans.

Each Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.5 in accordance with its Ratable Share. The aggregate of each Bank's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the Letters of Credit Outstanding and Ratable Share of Swingline Loans. The obligations of each Bank hereunder are several and not joint. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Revolving Credit Loans hereunder on or after the Revolving Credit Expiration Date.

Commitment Fees.

The Borrower agrees to pay to the Agent for the account of each Bank, as consideration for such Bank's Revolving Credit Commitment and Convertible Revolving Credit Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") accruing from the date hereof until the Revolving Credit Expiration Date and equal to the Applicable Revolving Credit Commitment Fee Rate and the Applicable Convertible Revolving Credit Commitment Fee Rate (computed on the basis of a year of 360 days for the actual number of days elapsed) on the respective average daily unused amount of (i) such Bank's Revolving Credit Commitment, and (ii) such Bank's Convertible Revolving Credit Commitment. All Commitment Fees shall be payable quarterly in arrears on the first Business Day of each January, April, July, and October after the date hereof and on, as applicable, (A) the Revolving Credit Expiration Date, and (B) the Convertible Revolving Credit Expiration Date, or in any event upon acceleration of the Loans. For purposes of calculating Commitment Fees only, no portion of the Revolving Credit Commitments shall be deemed utilized under Section 5.2 as a result of outstanding Bid Loans or Swingline Loans. For the purpose of calculating Commitment Fees in respect of Revolving Credit Commitments, any portion of the Revolving Credit Commitments unavailable due to outstanding Letters of Credit shall be deemed to be used amounts.

Additional Fees.

The Borrower agrees to pay to the Agent for its own account the fees and costs set forth in the Agent's Letter. All fees payable hereunder shall be nonrefundable and deemed earned in full when due.

Revolving Credit Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Revolving Credit Expiration Date request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 4.2, by delivering to the Agent, (i) not later than 12:00 noon, New York time, three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Euro-Rate Option applies or prior to the conversion to or the renewal of the Euro-Rate Option for any such Loans; and (ii) not later than 12:00 noon, New York time, on the Business Day of either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or of the last day of the preceding Committed Loan Interest Period with respect to the conversion of an Interest Rate Option to the Base Rate Option for any such Loan, a duly completed Committed Loan Request therefor substantially in the form of Exhibit 2.5 or a Committed Loan Request by telephone immediately confirmed in writing by letter, facsimile, or telex in the form of such Exhibit, it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Revolving Credit Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$2,500,000 for each Borrowing Tranche to which the Euro-Rate Option applies and in integral multiples of \$500,000 and not less than the lesser of \$1,000,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether Committed Loan Euro-Rate Option or Base Rate Option shall apply to the proposed Revolving Credit Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Committed Loan Euro-Rate Option applies, an appropriate Committed Loan Interest Period for the Revolving Credit Loans comprising such Borrowing Tranche.

Making Revolving Credit Loans.

The Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5, notify the Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Revolving Credit Loans requested thereby; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Revolving Credit Loans as determined by the Agent in accordance with Section 2.2. Each Bank shall remit the principal amount of each Revolving Credit Loan to the Agent such that the Agent is able to, and the Agent shall, to the extent the Banks have made funds available to it for such purpose and subject to Section 7.2, fund such Revolving Credit Loans to the Borrower in U.S. Dollars and in immediately available funds at the Principal Office in New York City prior to 2:00 p.m., New York time, on the applicable Borrowing Date, provided that if any Bank fails to remit such funds to the Agent in a timely manner, the Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 10.16.

Use of Proceeds.

The proceeds of the Revolving Credit Loans, Convertible Revolving Credit Loans, Swingline Loans, and Bid Loans and the Letters of Credit shall be used in accordance with Section 8.1.10.

Bid Loan Facility.

Bid Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Revolving Credit Expiration Date request that the Banks make Bid Loans by delivery to the Agent at its Principal Office in New York not later than 12:00 noon, New York time, of a duly completed request therefor substantially in the form of Exhibit 2.8.1 hereto or a request by telephone immediately confirmed in writing by letter, facsimile, or telex (each, a "Bid Loan Request") at least two (2) Business Days prior to the proposed Bid Loan Borrowing Date if Borrower is requesting Fixed Rate Bid Loans and four (4) Business Days prior to the proposed Bid Loan Borrowing Date if Borrower is requesting Euro-Rate Bid Loans. The Agent may rely on the authority of any individual making a telephonic request referred to in the preceding sentence without the necessity of receipt of written confirmation. Each Bid Loan Request shall be irrevocable and shall specify (i) the proposed Bid Loan Borrowing Date, (ii) whether Borrower is electing the Bid Loan Fixed Rate Option or the Bid Loan Euro-Rate Option, (iii) the term of the proposed Bid Loan (the "Bid Loan Interest Period") which may be no less than thirty (30) days and no longer than one hundred eighty (180) days, if Borrower is requesting a Fixed Rate Bid Loan, or one, two, three, or six Months, if Borrower is requesting a Euro-Rate Bid Loan, and (iv) the maximum principal amount (the "Requested Amount") of such Bid Loan, which shall be not less than \$5,000,000 and shall be an integral multiple of \$1,000,000. After giving effect to such Bid Loan and any other Loan made on or before the Bid Loan Borrowing Date, (i) the aggregate amount of the Bid Loans of all Banks outstanding shall not exceed \$100,000,000 (the "Bid Loan Aggregate Sublimit"), (ii) the aggregate amount of all Revolving Credit Loans, Swingline Loans, and Bid Loans outstanding plus the Letters of Credit Outstanding shall not exceed the aggregate amount of the Revolving Credit Commitments then existing of the Banks, and (iii) the aggregate amount of all Revolving Credit Loans, Convertible Revolving Credit Loans, Swingline Loans and Bid Loans outstanding plus the Letters of Credit Outstanding shall not exceed the aggregate amount of the Revolving Credit Commitments and Convertible Revolving Credit Commitments then existing of the Banks. There shall be at least fifteen (15) Business Days between each Bid Loan Borrowing Date.

Bidding.

The Agent shall promptly after receipt by it of a Bid Loan Request pursuant to Section 2.8.1 notify the Banks of its receipt of such Bid Loan Request specifying (i) the proposed Bid Loan Borrowing Date, (ii) whether the proposed Bid Loan shall be a Fixed Rate Bid Loan or a Euro-Rate Bid Loan, (iii) the Bid Loan Interest Period, and (iv) the principal amount of the proposed Bid Loan. Each Bank may in its sole discretion submit a bid (a "Bid") to the Agent at its Principal Office in New York not later than 10:00 a.m., New York time, one (1) Business Day before the proposed Bid Loan Borrowing Date if Borrower is requesting a Fixed Rate Bid Loan, or three (3) Business Days before the proposed Bid Loan Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan by telephone (immediately confirmed in writing by letter, facsimile or telex). Each Bid shall specify: (A) the principal amount of proposed Bid Loans offered by such Bank (the "Offered Amount") which (i) may be less than, but shall not exceed, the Requested Amount, (ii) shall be at least \$1,000,000 and shall be an integral multiple of \$1,000,000 and (iii) may exceed such Bank's Revolving Credit Commitment, and (B) the Fixed Rate which shall apply to such proposed Bid Loan, if Borrower has requested a Fixed Rate Bid Loan, or the Euro-Rate Bid Loan Spread which shall apply to such proposed Bid Loan if Borrower has requested a Euro-Rate Bid Loan. If any Bid omits information required hereunder, the Agent may in its sole discretion attempt to notify the Bank submitting such Bid. If the Agent so notifies a Bank, such Bank may resubmit its Bid, provided that it does so prior to the time set forth in this Section 2.8.2 above by which such Bank is required to submit its Bid to the Agent. The Agent shall promptly notify the Borrower of the Bids which it received from the Banks on a timely basis. If the Agent in its capacity as a

Bank shall, in its sole discretion, make a Bid, it shall notify the Borrower of such Bid before 9:00 a.m., New York time, one (1) Business Day before the proposed Bid Loan Borrowing Date, if Borrower is requesting a Fixed Rate Bid Loan, or three (3) Business Days before the proposed Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan.

Accepting Bids.

The Borrower shall irrevocably accept or reject Bids by notifying the Agent at its Principal Office in New York of such acceptance or rejection by telephone (immediately confirmed in writing by letter, facsimile, or telex) not later than 11:00 a.m., New York time, one (1) Business Day before the proposed Bid Loan Borrowing Date, if Borrower is requesting a Fixed Rate Bid Loan, or three (3) Business Days before the proposed Borrowing Date if Borrower is requesting a Euro-Rate Bid Loan. If the Borrower elects to accept any Bids, its acceptance must meet the following conditions: (1) it shall be irrevocable and the total amount which Borrower accepts from all Banks must not be less than \$5,000,000 and be in integral multiples of \$1,000,000 and may not exceed the Requested Amount; (2) the Borrower must accept Bids based solely on the amount of the Fixed Rates or Euro-Rate Bid Loan Spreads, as the case may be, which each of the Banks quoted in their Bids in ascending order of the amount of Fixed Rates or Euro-Rate Bid Loan Spreads; (3) the Borrower may not borrow Bid Loans from any Bank on the Bid Loan Borrowing Date in an amount exceeding such Bank's Offered Amount; (4) if two or more Banks make Bids at the same Fixed Rate (if Borrower Requested a Fixed Rate Bid Loan) or Euro-Rate Bid Loan Spread (if Borrower Requested a Euro-Rate Bid Loan) and the Borrower desires to accept a portion but not all of the Bids at such Fixed Rate or Euro-Rate Bid Loan Spread, as the case may be, the Borrower shall accept a portion of each Bid equal to the product of the Offered Amount of such Bid times the fraction obtained by dividing the total amount of Bids which Borrower is accepting at such Fixed Rate or Euro-Rate Bid Loan Spread, as the case may be, by the sum of the Offered Amounts of the Bids at such Fixed Rate or Euro-Rate Bid Loan Spread, provided that the Borrower shall round the Bid Loans allocated to each such Bank upward or downward as the Borrower may select to integral multiples of \$1,000,000. The Agent shall (i) promptly notify a Bank that has made a Bid of the amount of its Bid that was accepted or rejected by the Borrower and (ii) as promptly as practical notify all of the Banks of all Bids submitted and those which have been accepted.

Funding Bid Loans.

Each Bank whose Bid or portion thereof is accepted shall remit the principal amount of its Bid Loan to the Agent at its Principal Office in New York by 12:00 noon on the Borrowing Date. The Agent shall make such funds available to the Borrower on or before 1:00 p.m. on the Borrowing Date, provided that the conditions precedent to the making of such Bid Loan set forth in Section 7.2 have been satisfied not later than 10:00 a.m., New York time, on the proposed Borrowing Date. If such conditions precedent have not been satisfied prior to such time, then (i) the Agent shall not make such funds available to the Borrower, (ii) the Bid Loan Request shall be deemed to be revoked by Borrower, and (iii) the Agent shall return the amount previously funded to the Agent by each applicable Bank no later than the directly following Business Day. The Borrower shall immediately notify the Agent of any failure to satisfy the conditions precedent to the making of Bid Loans under Section 7.2. The Agent may assume that Borrower has satisfied such conditions precedent if the Borrower (i) has delivered to the Agent at its Principal Office in New York the documents required to be delivered under Section 7.2, (ii) the Borrower has not notified the Agent at its Principal Office in New York that the Loan Parties have not satisfied any other conditions precedent, and (iii) the Agent has no actual notice of such a failure.

Several Obligations.

The obligations of the Banks to make Bid Loans after their Bids have been accepted are several and not joint. No Bank shall be responsible for the failure of any other Bank to make any Bid Loan which another Bank has agreed to make.

Bid Notes.

The obligation of the Borrower to repay the aggregate unpaid principal amount of the Bid Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Bid Note dated as of the date hereof payable to the order of such Bank in a face amount equal to the aggregate Revolving Credit Commitments of all of the Banks. Each Bid Loan shall be due and payable on the last day of its respective Bid Loan Interest Period.

Letter of Credit Subfacility.

Issuance of Letters of Credit.

Subject to the terms and conditions and relying on the representations and warranties herein set forth, Chase Manhattan Bank Delaware agrees to continue outstanding until expiration each of the Letters of Credit issued by it and listed on Schedule 2.9.1(A) and to be an Issuing Bank solely with respect to such Letters of Credit. Subject to the terms and conditions and relying on the representations and warranties herein set forth, ABN AMRO Bank N.V. agrees to continue outstanding until expiration each of the Letters of Credit issued by it and listed on Schedule 2.9.1(B).

Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or on behalf of any other Loan Party (provided that Borrower is the account party thereon) by delivering to the Agent at its Principal Office in New York and to the Issuing Bank a completed application and agreement for letters of credit in such form as the Issuing Bank may specify from time to time by no later than 10:00 a.m., New York time, at least three (3) Business Days, or such shorter period as may be agreed to by the Issuing Bank, in advance of the proposed date of issuance. Each Letter of Credit shall be either a Standby Letter of Credit or a Commercial Letter of Credit and shall be denominated in Dollars or if a different currency is requested by the Borrower, a currency satisfactory to the Issuing Bank. Subject to the terms and conditions hereof and in reliance on the agreements of the other Banks set forth in this Section 2.9, the Issuing Bank will issue a Letter of Credit provided that each Letter of Credit shall expire no later than twenty (20) Business Days prior to the Revolving Credit Expiration Date and provided that in no event shall (i) the Letters of Credit Outstanding exceed, at any one time, \$85,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments

If on any date the aggregate Letter of Credit Outstandings, in the equivalent amount of US Dollars at exchange rates then prevailing and available to the Agent, exceed \$85,000,000 (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 Borrower shall thereupon deposit in a interest-bearing account with the Agent (the "L/C Cash Collateral Account"), as cash collateral for its Letter of Credit Obligations under the Loan Documents, an amount equal to the Exchange Rate L/C Excess Amount, and the Borrower hereby pledges to the Agent for the benefit

of each Issuing Bank, and grants to the Agent for the benefit of each Issuing Bank a security interest in, all such cash, deposit, and account, and the proceeds thereof, as security for such Letter of Credit Obligations.

Letter of Credit Fees.

The Borrower shall pay (i) to the Agent at its Principal Office in New York for the ratable account of the Banks (a) 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 indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Commercial Letter of Credit Fee" which Commercial Letter of Credit Fee shall be computed in accordance with the parameters set forth on Schedule 1.1(A), and (b) 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 indicated level of the ratio of Consolidated Total Indebtedness to Cash Flow in the Revolving Credit Pricing Grid on Schedule 1.1(A) below the heading "Standby Letter of Credit Fee," which Standby Letter of Credit Fee shall be computed in accordance with the parameters set forth on Schedule 1.1(A), and (ii) with respect to all Letters of Credit, to the Agent for its own account and to Chase Manhattan Bank Delaware a fronting fee as described in their respective fee letters, all of which fees shall be computed on the average daily Letters of Credit Outstanding (as Commercial Letters of Credit, Standby Letters of Credit, or both, as the case may be, and in each case computed on the basis of a year of 360 days for the actual number of days elapsed), and shall be payable quarterly in arrears commencing with the first Business Day of each January, April, July and October following issuance of each Letter of Credit and on the Revolving Credit Expiration Date. The Borrower shall also pay to each Issuing Bank for such Issuing Bank's sole account such Issuing Bank's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as such Issuing Bank may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of letters of credit.

Disbursements, Reimbursement.

Immediately upon the issuance of each Letter of Credit and immediately upon execution of this Agreement with respect to the Letters of Credit listed on Schedules 2.9.1(A) and 2.9.1(B), each Revolving Credit Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Bank will promptly notify the Borrower and the Agent. Provided that it shall have received such notice, the Borrower shall reimburse the Issuing Bank (such obligation to reimburse the Issuing Bank shall sometimes be referred to as a "Reimbursement Obligation") prior to 12:00 noon, New York time, on each date that an amount is paid by the Issuing Bank under any Letter of Credit (each such date, a "Drawing Date") in an amount equal to the Dollar Equivalent of the amount so paid by the Issuing Bank. In the event the Borrower fails to reimburse the Issuing Bank for the full amount of any drawing under any Letter of Credit by 12:00 noon, New York time, on the Drawing Date, the Agent will promptly notify each Revolving Credit Bank thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans in the Dollar Equivalent of the amount paid by the Issuing Bank under the Letter of Credit be made by the Revolving Credit Banks under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the

unutilized portion of the Revolving Credit Commitment and subject to the conditions set forth in Section 7.2 other than any notice requirements. Any notice given by the Issuing Bank pursuant to this Section 2.9.3.2 may be oral if immediately confirmed in writing, provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

In consideration of its participation in each Letter of Credit, as set forth at Section 2.9.3.1, each Revolving Credit Bank shall upon any notice pursuant to Section 2.9.3.2 make available to the Issuing Bank an amount in immediately available funds equal to its Ratable Share of the Dollar Equivalent of the amount paid by the Issuing Bank under the Letter of Credit, whereupon the participating Banks shall (subject to Section 2.9.3.4) each be deemed to have made a Revolving Credit Loan under the Base Rate Option to the Borrower in that amount, if such Loan may be made, or each of the participating Banks shall be deemed to have funded its participation as provided below at Section 2.9.3.4. If any Bank so notified fails to make available to the Issuing Bank for the account of the Issuing Bank the amount of such Bank's Ratable Share of such amount by no later than 2:00 p.m., New York time, on the Drawing Date, then interest shall accrue on such Bank's obligation to make such payment, from the Drawing Date to the date on which such Bank makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Revolving Credit Base Rate Option on and after the fourth day following the Drawing Date. The Issuing Bank will promptly give notice to the Agent of the occurrence of the Drawing Date and the Agent shall notify the Banks, but failure of the Issuing Bank or the Agent to give any such notice on the Drawing Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligation under this Section 2.9.3.3.

With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans under the Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.9.3.2, because of the Borrower's failure to satisfy the conditions set forth in Section 7.2 other than any notice requirements or for any other reason, the Borrower shall be deemed to have incurred from the Issuing Bank a Letter of Credit Borrowing in the Dollar Equivalent of the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Revolving Credit Loans under the Base Rate Option; for purposes of determining the available Revolving Credit Commitments of the Banks at any time, each outstanding Letter of Credit Borrowing shall be deemed to have utilized the Revolving Credit Commitments of the Banks pro rata in accordance with such respective Revolving Credit Commitments. Each Bank's payment to the Issuing Bank pursuant to Section 2.9.3.3 shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a Participation Advance from such Bank in satisfaction of its participation obligation under this Section 2.9.3.

Repayment of Participation Advances.

Upon (and only upon) receipt by the Issuing Bank for its account of immediately available funds from the Borrower (i) in reimbursement of any payment made by the Issuing Bank under the Letter of Credit with respect to which any Bank has made a Participation Advance to the Issuing Bank, or (ii) in payment of interest on such a payment made by the Issuing Bank under such a Letter of Credit, the Issuing Bank will pay to each Revolving Credit Bank, in the same funds as those received by the Issuing Bank, the amount of such Bank's Ratable Share of such funds, except the Issuing Bank shall retain the amount of the Ratable Share of such funds of any Bank that did not make a Participation Advance in respect of such payment by the Issuing Bank.

If the Issuing Bank is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Loan Party to the Issuing Bank pursuant to Section 2.9.4.1 in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Revolving Credit Bank shall, on demand of the Issuing Bank, forthwith return to the Issuing Bank the amount of its Ratable Share of any amounts so returned by the Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Issuing Bank, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

Documentation.

Each Loan Party agrees to be bound by the terms of the Issuing Bank's application and agreement for letters of credit and the Issuing Bank's written regulations and customary practices relating to letters of credit, though the Issuing Bank's interpretation may be different from such Loan Party's own interpretation. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Issuing Bank shall not be liable for any error, negligence, or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments, or supplements thereto.

Intentionally Omitted.

Nature of Participation and Reimbursement Obligations.

Each Revolving Credit Bank's obligation in accordance with this Agreement to make the Revolving Credit Loans or Participation Advances, as contemplated by Section 2.9.3, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrower to reimburse the Issuing Bank upon a draw under a Letter of Credit, shall be absolute, unconditional, and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.9 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense, or other right which such Bank may have against the Issuing Bank, the Borrower, or any other Person for any reason whatsoever;

(ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Sections 2.1, 2.5, 2.6, or 7.2 or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Banks to make Participation Advances under Section 2.9.3;

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) the existence of any claim, set-off, defense, or other right which any Loan Party or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Issuing Bank or any Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein, or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(v) any draft, demand, certificate, or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Issuing Bank has been notified thereof;

(vi) payment by the Issuing Bank under any Letter of Credit against presentation of a demand, draft, or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise), or prospects of any Loan Party or Subsidiaries of a Loan Party;

(viii) any breach of this Agreement or any other Loan Document by any party thereto;

(ix) the occurrence or continuance of an Insolvency Proceeding with respect to Borrower or any Subsidiary of Borrower;

(x) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xi) the fact that the Revolving Credit Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and

(xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Indemnity.

In addition to amounts payable as provided in Section 10.5, the Borrower hereby agrees to protect, indemnify, pay, and save harmless the Issuing Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges, and expenses (including reasonable fees, expenses, and disbursements of counsel and allocated costs of internal counsel) which the Issuing Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Issuing Bank as determined by a final judgment of a court of competent jurisdiction or (B) subject to the following clause (ii), the wrongful dishonor by the Issuing Bank of a proper demand for payment made under any Letter of Credit, or (ii) the failure of the Issuing Bank to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

Liability for Acts and Omissions.

As between any Loan Party and the Issuing Bank, 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, the Issuing Bank shall not be responsible for: (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 or any documents presented under 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 Bank 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 Bank, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Issuing Bank's rights or powers hereunder. Nothing in the preceding sentence shall relieve the Issuing Bank from liability for the Issuing Bank's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Issuing Bank 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 (as such term is applicable to Letters of Credit pursuant to the applicable Uniform Commercial Code), shall not put the Issuing Bank under any resulting liability to the Borrower or any Bank.

In the event that the jurisdiction referred to in Section 11.8 adopts revisions to Article 5 of its Uniform Commercial Code which are inconsistent with the provisions of this Section 2.9, the Loan Parties shall upon the request of Agent agree to a modification of the provisions of this Section 2.9 that is consistent with the intent hereof and permissible under such Article 5 as revised.

Extension by Banks of the Expiration Date.

Requests; Approval by All Banks.

Upon or promptly after delivery by the Borrower of the annual financial statements to be provided under Section 8.3.2 for the fiscal year ending December 31, 1999, or any subsequent fiscal year, the Borrower may request a one (1) year extension of the Revolving Credit Expiration Date by written notice to the Banks, and the Banks agree to respond to the Borrower's request for an extension within ninety (90) days following receipt of the request; provided, however, that the failure of any Bank to respond within such time period shall not in any manner constitute an agreement by such Bank to extend the Revolving Credit Expiration Date. If all Banks elect to extend, the Revolving Credit Expiration Date shall be extended for a period of one (1) year, subject to the execution of reasonable and appropriate documentation thereof. If one or more Banks decline to extend or do not respond to Borrower's request, the provisions of Section 2.10.2 shall apply. Borrower may request successive extensions by providing the extension request along with the audited financial statement for the prior year in the manner set forth immediately above in this Section 2.10.1 each respective year.

Approval by Required Banks.

In the event that one or more Banks do not agree to extend the Revolving Credit Expiration Date or do not respond to Borrower's request for an extension within the time required under Section 2.10.1 (each a "Bank to be Terminated"), but the Required Banks agree to such extension within such time then, the Banks which have agreed to such extension within the time required under Section 2.10.1 (each an "Extending Bank") may, with the prior written approval of the Borrower and the Agent, arrange to have one or more other banks (each an "Assignee Bank") purchase all of the outstanding Loans, if any, of the Bank to be Terminated and succeed to and assume the Commitments and all other rights, interests, and obligations of the Bank to be Terminated under this Agreement and the other Loan Documents (other than a Hedge Agreement). Any such purchase and assumption shall be (1) pursuant to an Assignment and Assumption Agreement, (2) subject to and in accordance with Section 11.11, and (3) if any Committed Loans are outstanding under the Committed Loan Euro-Rate Option or if any Bid Loans are outstanding to such Bank to be Terminated, scheduled to take effect (to the extent of the Extending Banks' best efforts) on the last day of the Interest Period with respect to the majority of such Loans. The Borrower shall pay all amounts due and payable to the Bank to be Terminated on the effective date of such Assignment and Assumption Agreement, including principal, interest, fees, costs, and amounts, if any, owing under Section 5.6. In the event that the Agent shall become a Bank to be Terminated, the provisions of this Section 2.10 shall be subject to Section 10.14. In the event that the Loans and Commitments of a Bank to be Terminated are not fully assigned and assumed pursuant to this Section 2.10.2 on or before December 1 of such year, then the Revolving Credit Expiration Date shall not be extended for any Bank.

Swingline Loans.

Swingline Commitment.

On the terms and subject to the conditions and relying upon the representations and warranties herein set forth, the Swingline Bank agrees to make loans (as described in this Section 2.11.1, "Swingline Loans") to the Borrower at any time and from time to time on and after the date hereof to the earlier of the Revolving Credit Expiration Date or the termination of the Revolving Credit Commitments in accordance with the terms hereof, in an aggregate principal amount at any time outstanding, after giving effect to any Swingline Loan requested by Borrower, that will not result in (i) the aggregate amount of all Swingline Loans outstanding exceeding \$10,000,000, (ii) the aggregate amount of all Revolving Credit Loans, Swingline Loans, and Bid Loans outstanding plus the Letters of Credit Outstanding exceeding the aggregate amount of the Revolving Credit Commitments then existing of the Banks, or (iii) the aggregate outstanding amount of all Revolving Credit Loans, Convertible Revolving Credit Loans, Swingline Loans, and Bid Loans plus the Letters of Credit Outstanding exceeding the aggregate amount of the Revolving Credit Commitments and Convertible Revolving Credit Commitments then existing of the Banks. Each Swingline Loan shall be in a principal amount that is an integral multiple of \$100,000. The Swingline Commitment may be terminated or reduced from time to time as provided herein. Within the foregoing limits and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or repay and reborrow Swingline Loans hereunder. The Swingline Loans shall be evidenced by a promissory note of Borrower in favor of the Swingline Bank substantially in the form of Exhibit 1.1(S).

Swingline Loans.

The Borrower shall notify the Agent by telephone (promptly confirmed in writing), not later than 12:00 (noon), New York City time, on the date of a proposed Swingline Loan. Such notice

shall be delivered on a Business Day, shall be irrevocable and shall refer to this Agreement and shall specify the requested date (which shall be a Business Day), amount of such Swingline Loan, and whether such Swingline Loan shall be subject to the Base Rate or the Cost of Funds Rate. The Agent will promptly advise the Swingline Bank of any notice received from the Borrower pursuant to this SubSection 2.11.2. The Swingline Bank will make each Swingline Loan available to the Borrower by means of a credit to a general deposit account or as otherwise designated by the Borrower by telephone (promptly confirmed in writing) by 3:00 p.m. on the date such Swingline Loan is so requested. The Agent and Swingline Bank may rely on the authority of any individual making such a telephonic request or giving such telephonic direction without the necessity of receipt of written confirmation.

Prepayment.

The Borrower shall have the right at any time and from time to time to prepay any Swingline Loan, in whole or in part, upon giving telephonic notice (promptly confirmed in writing) to the Swingline Bank and to the Agent before 2:00 p.m., New York City time on the date of prepayment at the Swingline Bank's address for notices specified on Schedule 1.1(B). Any prepayment in part of a Swingline Loan shall be in an amount that is an integral multiple of \$100,000. All principal payments of Swingline Loans shall be accompanied by accrued interest on the principal amount being repaid to but excluding the date of payment. All outstanding Swingline Loans shall be due and payable on the Revolving Credit Expiration Date.

Interest.

Each Swingline Loan shall be subject to, at the option of Borrower, either the Cost of Funds Rate or the Base Rate Option, and the provisions of Section 4.3, and shall bear interest at a rate per annum equal to the Base Rate or Cost of Funds Rate plus the Applicable Margin, in effect from time to time.

Participations.

The Swingline Bank may by written notice given to the Agent not later than 12:00 (noon), New York City time, on any Business Day require the Revolving Credit Banks to acquire participations in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Revolving Credit Banks shall participate. The Agent will, promptly upon receipt of such notice, give notice to each Revolving Credit Bank, specifying in such notice such Bank's Ratable Share of such Swingline Loan or Loans. In consideration and in furtherance of the foregoing, each Revolving Credit Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Agent, for the account of the Swingline Bank, such Revolving Credit Bank's Ratable Share of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this Section 2.11.5 is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Potential Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Credit Bank shall comply with its obligation under this Section by wire transfer to Agent of immediately available funds not later than 2:00 p.m. New York City time, and the Agent shall promptly credit the amounts so received to the account of the Swingline Bank. The Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this Section and thereafter payments in respect of such Swingline Loan shall be made to the Agent and not to the Swingline Bank. Any amounts received by the Swingline

Bank from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Bank of the proceeds of a sale of participations therein shall be promptly remitted to the Agent; any such amounts received by the Agent shall be promptly remitted by the Agent to the Banks that shall have made their payments pursuant to this Section and to the Swingline Bank, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this Section 2.11.5 shall not relieve the Borrower (or other party liable for obligations of the Borrower) of its default in respect of the payment thereof.

CONVERTIBLE REVOLVING CREDIT FACILITY

Convertible Revolving Credit Commitments.

(a) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Convertible Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Convertible Revolving Credit Expiration Date, provided that no Convertible Revolving Credit Loan shall be made unless the aggregate amount of all Revolving Credit Loans outstanding equals at least \$190,000,000, and further provided that after giving effect to each such Loan the aggregate amount of Convertible Revolving Credit Loans from such Bank shall not exceed such Bank's Convertible Revolving Credit Commitment, and provided further that in no event shall the Convertible Revolving Credit Expiration Date occur later than the Revolving Credit Expiration Date. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 3.1. All outstanding Convertible Revolving Credit Loans shall be due and payable on the Convertible Revolving Credit Expiration Date.

(b) Each Bank shall be obligated to participate in each request for Convertible Revolving Credit Loans pursuant to Section 3.2 in accordance with its Ratable Share. The aggregate of each Bank's Convertible Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Convertible Revolving Credit Commitment. The obligations of each Bank hereunder are several and not joint. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Convertible Revolving Credit Loans hereunder on or after the Convertible Revolving Credit Expiration Date.

Convertible Revolving Credit Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Convertible Revolving Credit Expiration Date request the Banks to make Convertible Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Convertible Revolving Credit Loans pursuant to Section 4.2, by delivering to the Agent at its Principal Office in New York, (i) not later than 12:00 noon, New York time, three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Convertible Revolving Credit Loans to which the Euro-Rate Option applies or prior to the conversion to or the renewal of the Euro-Rate Option for any such Loans; and (ii) not later than 12:00 (noon), New York time, on the Business Day of either the proposed Borrowing Date with respect to the making of a Convertible Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Committed Loan Interest Period with respect to the conversion of an Interest Rate Option to the Base Rate Option for any such Loan, a duly completed Committed Loan Request therefor substantially in the form of Exhibit 2.5 or a Committed Loan Request by telephone immediately

confirmed in writing by letter, facsimile, or telex in the form of such Exhibit, it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Convertible Revolving Credit Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$2,500,000 for each Borrowing Tranche to which the Euro-Rate Option applies and in integral multiples of \$500,000 and not less than the lesser of \$1,000,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether Committed Loan Euro-Rate Option or Base Rate Option shall apply to the proposed Convertible Revolving Credit Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Committed Loan Euro-Rate Option applies, an appropriate Committed Loan Interest Period for the Convertible Revolving Credit Loans comprising such Borrowing Tranche.

Making Convertible Revolving Credit Loans.

The Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 3.2, notify the Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Convertible Revolving Credit Loans requested thereby; (ii) the amount and type of each such Convertible Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Convertible Revolving Credit Loans as determined by the Agent in accordance with Section 3.1(b). Each Bank shall remit the principal amount of each Convertible Revolving Credit Loan to the Agent at its Principal Office in New York such that the Agent is able to, and the Agent shall, to the extent the Banks have made funds available to it for such purpose and subject to Section 7.2, fund such Convertible Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office in New York City prior to 2:00 p.m., New York time, on the applicable Borrowing Date, provided that if any Bank fails to remit such funds to the Agent in a timely manner, the Agent may elect in its sole discretion to fund with its own funds the Convertible Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 10.16.

Extension by Banks of the Convertible Revolving Credit Expiration Date.

Requests; Approval by All Banks or Required Banks; Optional Conversion to Term Loans for Non-Agreeing Banks.

(a) No earlier than sixty (60) days and no later than thirty (30) days prior to the then applicable Convertible Revolving Credit Expiration Date, the Borrower may request a 364-day extension of the Convertible Revolving Credit Expiration Date by written notice to the Agent. Agent shall promptly notify the Banks of such request. No later than fifteen (15) days prior to the then applicable Convertible Revolving Credit Expiration Date, each Bank shall respond to the Agent in writing as to whether or not it agrees to the Borrower's request for such extension; provided, however, that the failure of any Bank to respond within such time period shall not in any manner constitute an agreement by such Bank to extend the Convertible Revolving Credit Expiration Date.

(b) If all Banks elect to extend the then applicable Convertible Revolving Credit Expiration Date, the Agent shall so notify the Banks promptly and shall so notify the Borrower promptly, but in no event earlier than thirty (30) days prior to the then applicable Convertible Revolving Credit Expiration Date, that such Convertible Revolving Credit Expiration Date shall be extended for an

additional period of 364 days. Borrower hereby agrees to execute such amendments and modifications to the Loan Documents, prior to the extension of the Convertible Revolving Credit Expiration Date, as Agent shall reasonably request to evidence and govern the extension of such date.

(c) In the event that the Required Banks, but less than all of the Banks, shall agree to an extension of the Convertible Revolving Credit Expiration Date in accordance with this Section 3.4.1 (and in addition to the provisions of Section 5.4.2), the Agent shall so notify the Banks promptly and shall so notify the Borrower promptly, but in no event earlier than thirty (30) days prior to the then applicable Convertible Revolving Credit Expiration Date, and: (i) the Convertible Revolving Credit Commitments of those Banks not agreeing to an extension of the Convertible Revolving Credit Expiration Date (the "Non-Agreeing Banks") shall be terminated on the Convertible Revolving Credit Expiration Date (without giving effect to the extension thereof) and all Convertible Revolving Credit Loans owing to the Non-Agreeing Banks together with all interest thereon and costs and expenses related thereto shall be due and payable on such Convertible Revolving Credit Expiration Date except to the extent that Borrower has elected, by written notice received by the Agent no later than five (5) days prior to the Convertible Revolving Credit Expiration Date, to convert all or any portion of the Convertible Revolving Credit Loans of the Non-Agreeing Banks to a term loan of one year's duration from the date of the Convertible Revolving Credit Expiration Date with interest payable thereon and rights of prepayment permitted with respect thereto in the manner established hereby for Convertible Revolving Credit Loans and with principal amounts thereunder amortizing, if at all, during such one (1) year term as Borrower shall elect in such notice of conversion; provided that the Convertible Revolving Credit Loans of the Non-Agreeing Banks which are converted to term loans shall be amortized in the same manner, and, to the extent that less than the full aggregate amount of Convertible Revolving Credit Loans of the Banks are to be so converted then Borrower shall convert each and every Non-Agreeing Bank's Convertible Revolving Credit Loans on a pro rata basis (ii) the Convertible Revolving Credit Commitments of the Banks agreeing to an extension of the Convertible Revolving Credit Expiration Date (the "Agreeing Banks") shall be extended for an additional period of 364 days, and (iii) none of the Agreeing Banks shall be required to increase its Convertible Revolving Credit Commitment. Borrower hereby agrees to execute such amendments and modifications to the Loan Documents, prior to any extension of the Convertible Revolving Credit Expiration Date, as Agent shall reasonably request to evidence and govern the extension of such date and the term loans, if any, arising under this Section 3.4.1.

Failure of Required Banks to Extend; Optional Conversion to Term Loan.

In the event that less than the Required Banks shall agree to an extension of the Convertible Revolving Credit Expiration Date in accordance with Section 3.4.1 (subject, however, to Section 5.4.2), the Agent shall promptly so notify the Borrower and the Banks and the Convertible Revolving Credit Commitments shall be terminated on the Convertible Revolving Credit Expiration Date and all Convertible Revolving Credit Loans, together with all interest thereon and costs and expenses related thereto, shall be due and payable on the Convertible Revolving Credit Expiration Date, unless Borrower has elected, by written notice received by the Agent no later than five (5) days prior to the Convertible Revolving Credit Expiration Date (which notice Agent shall promptly forward to the Banks), to convert all Convertible Revolving Credit Loans outstanding on the Convertible Revolving Credit Expiration Date to a term loan of one year's duration from the date of the Convertible Revolving Credit Expiration Date with interest payable thereon and rights of prepayment permitted with respect thereto in the manner established hereby for Convertible Revolving Credit Loans and with principal amounts thereunder amortizing, if at all, during such one (1) year term as Borrower shall elect in such notice of

conversion (the "Term Loan"). Any failure of the Agent or any Bank to notify any party hereto under any of this Section 3.4 or otherwise that the Convertible Revolving Credit Expiration Date will not be extended shall not constitute a commitment or agreement of any nature to extend such date. Borrower hereby agrees to execute such amendments and modifications to the Loan Documents, prior to the Convertible Revolving Credit Expiration Date, as Agent shall reasonably request to evidence and govern the Term Loan.

INTEREST RATES

Interest Rate Options.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Committed Loans (other than with respect to the Swingline Loans which are addressed in Section 2.11.4) as selected by it from the Base Rate Option or Revolving Credit Euro-Rate Option or Convertible Revolving Credit Euro-Rate Option set forth below applicable to the type of Committed Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to various of the Committed Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Committed Loans comprising any Borrowing Tranche, provided that there shall not be at any one time outstanding more than twelve (12) Borrowing Tranches in the aggregate among all of the Committed Loans. If at any time the designated rate applicable to any portion of a Committed Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Committed Loan shall be limited to such Bank's highest lawful rate.

Revolving Credit Interest Rate Options.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

(i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Revolving Credit Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) equal to the Euro-Rate plus the Applicable Margin.

Convertible Revolving Credit Interest Rate Options.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Convertible Revolving Credit Loans:

(i) Convertible Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Convertible Revolving Credit Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) equal to the Euro-Rate plus the Applicable Margin.

Rate Quotations.

The Borrower may call the Agent at the Principal Office of the Agent in New York on or before the date on which a Committed Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Agent or the Banks nor affect the rate of interest which thereafter is actually in effect when the election is made.

Level of Fees and Interest Rates as of Closing; Change in Fees or Interest Rates.

Notwithstanding any other provision hereof, for the purpose solely of determining the Applicable Margin, Applicable Revolving Credit Commitment Fee, Applicable Convertible Revolving Credit Commitment Fee, Standby Letter of Credit Fee, and Commercial Letter of Credit Fee, the ratio of Consolidated Total Indebtedness to Cash Flow, calculated in accordance with the terms of Section 8.2.15, shall be deemed to be 2.78 to 1.0 as of that Adjustment Date which is applicable during the period commencing on the date hereof until the next Adjustment Date.

The Applicable Margin, Applicable Revolving Credit Commitment Fee, Applicable Convertible Revolving Credit Commitment Fee, Standby Letter of Credit Fee, and Commercial Letter of Credit Fee shall be determined on the basis of the ratio of Consolidated Total Indebtedness to Cash Flow, calculated in accordance with the terms of Section 8.2.15, as of each Adjustment Date, commencing with the Adjustment Date applicable as of the date hereof, and shall remain in effect until the next Adjustment Date thereafter whereupon the Applicable Margin, Applicable Revolving Credit Commitment Fee, Applicable Convertible Revolving Credit Commitment Fee, Standby Letter of Credit Fee, and Commercial Letter of Credit Fee shall be changed as necessary to reflect the then existing ratio of Consolidated Total Indebtedness to Cash Flow, calculated in accordance with the terms of Section 8.2.15, notwithstanding that such change occurs during an Interest Period.

In the event the financial statements of the Borrower are not delivered by the due date required by Section 8.3.1 or 8.3.2, the Applicable Margin, Applicable Revolving Credit Commitment Fee, Applicable Convertible Revolving Credit Commitment Fee, Standby Letter of Credit Fee, and Commercial Letter of Credit Fee then in effect shall continue (subject to Section 4.3 as it may apply as a result of any Event of Default from such failure to deliver financial statements) until receipt by Agent of financial statements reflecting that a different margin or fee is applicable as a result of a change in the ratio of Consolidated Total Indebtedness to Cash Flow, provided, that if the Applicable Margin, Applicable Revolving Credit Commitment Fee, Applicable Convertible Revolving Credit Commitment Fee, Standby Letter of Credit Fee, or Commercial Letter of Credit Fee is increased with respect to any period for which the Borrower has already paid interest or fees, the Agent shall recalculate the additional interest or fees due from the Borrower and shall, within fifteen (15) Business Days after the receipt of such financial statements, give the Borrower and the Banks notice of such recalculation whereupon such additional interest and fees shall be due and payable by Borrower to Agent for the benefit of the Banks in accordance with Section 4.1.4.1.

Any additional interest or fee due from the Borrower shall be paid to the Agent for the account of the Banks on the next date on which an interest or fee payment is due; provided, however, that if

there are no Loans or Letters of Credit outstanding or if the Loans are due and payable or the Letters of Credit are to expire or be drawn upon within twenty (20) days, such additional interest or fee shall be paid promptly after receipt of written request for payment from the Agent.

Committed Loans Interest Periods.

At any time when the Borrower shall select, convert to or renew a Committed Loan Euro-Rate Option, the Borrower shall notify the Agent thereof at its Principal Office in New York at least three (3) Business Days prior to the effective date of such Euro-Rate Option by delivering a Loan Request. The notice shall specify an interest period (the "Committed Loan Interest Period") during which such Interest Rate Option shall apply, such Committed Loan Interest Period to be one, two, three, or six Months (and nine or twelve Months if available to all Banks at substantially the same cost to each). Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Committed Loan Euro-Rate Option:

Ending Date and Business Day.

Any Committed Loan Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Committed Loan Interest Period shall end on the directly preceding Business Day;

Termination Before Expiration Date.

The Borrower shall not select, convert to or renew an Interest Period, respectively, for any portion of the Revolving Credit Loans or Convertible Revolving Credit Loans that would end after the Revolving Credit Expiration Date or Convertible Revolving Credit Expiration Date; and

Renewals.

In the case of the renewal of a Committed Loan Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

Interest After Default.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time as such Event of Default shall have been cured or waived:

Letter of Credit Fees, Interest Rate.

The Standby Letter of Credit Fees and the Commercial Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to the provisions hereof shall be increased by 2.0% per annum; and

Other Obligations.

Each other Obligation (other than under a Hedge Agreement) hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the

Revolving Credit Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full.

Acknowledgment.

The Borrower acknowledges that the increase in rates referred to in this Section 4.3 reflects, among other things, that such Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Agent.

Euro-Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available.

Unascertainable.

If, on any date on which a Euro-Rate would otherwise be determined with respect to Committed Loans or Bid Loans, the Agent shall have determined that:

- (i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or
- (ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate,

then the Agent and the Banks shall have the rights specified in Section 4.4.3.

Illegality; Increased Costs; Deposits Not Available.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan to which a Euro-Rate Option applies, respectively, are not available to such Bank with respect to such Loan, in the London interbank market,

then the Agent and the Banks shall have the rights specified in Section 4.4.3.

Agent's and Bank's Rights.

In the case of any event specified in Section 4.4.1 above, the Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of an event specified in Section 4.4.2 above, such Bank shall promptly so notify the Agent at its Principal Office in New York and endorse a certificate to such notice as to the specific circumstances of such notice, and the Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall

be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrower to select, convert to, or renew a Euro-Rate Option shall be suspended until the Agent shall have later notified the Borrower, or such Bank shall have later notified the Agent, of the Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Agent makes a determination under Section 4.4.1 and the Borrower has previously notified the Agent of its selection of, conversion to, or renewal of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for the termination of Borrower's Bid Loan request (without penalty) for such Loans if the Borrower has requested Bid Loans under the Bid Loan Euro-Rate Option and for the selection of, conversion to, or renewal of the Base Rate Option otherwise available with respect to such Loans if the Borrower has requested the Committed Loan Euro-Rate Option. If any Bank notifies the Agent of a determination under Section 4.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 5.6.2 [Indemnity], as to any Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 5.4 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

Selection of Interest Rate Options.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Committed Loans subject to the Committed Loan Euro-Rate Option at the expiration of the existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 4.2, the Borrower shall be deemed to have converted such Borrowing Tranche to the Revolving Credit Base Rate Option or Convertible Revolving Credit Base Rate Option, as applicable, commencing upon the last day of the existing Interest Period.

PAYMENTS

Payments.

All payments and prepayments to be made in respect of principal, interest, fees, or other amounts due from the Borrower hereunder or in connection herewith shall be payable prior to 2:00 p.m., New York time, on the date when due without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim, or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Agent at its Principal Office in New York, or at such location as Agent shall otherwise direct, for the ratable accounts of the Banks with respect to the Loans (other than with respect to Swingline Loans which, to the extent not participated to the Banks shall be for the account of the Swingline Bank) and for the account of the lending Bank with respect to the Bid Loans, in U.S. Dollars and in immediately available funds, and the Agent shall promptly distribute such amounts to the Banks in immediately available funds, provided that in the event payments are received by 2:00 p.m., New York time, by the Agent with respect to the Loans and such payments are not distributed to the Banks on the same day received by the Agent, the Agent shall pay the Banks the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Agent and not distributed to the Banks. The Agent's statement of account, ledger, or other relevant record shall, in the absence of manifest error, be

conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement.

Pro Rata Treatment of Banks.

Each borrowing of Revolving Credit Loans or Convertible Revolving Credit Loans shall be allocated to each Bank according to its Ratable Share respectively of the Revolving Credit Commitments and the Convertible Revolving Credit Commitments (irrespective of the amount of Bid Loans or Swingline Loans outstanding), and each selection of, conversion to, or renewal of any Interest Rate Option applicable to Revolving Credit Loans or Convertible Revolving Credit Loans and each payment or prepayment by the Borrower with respect to principal or interest on the Revolving Credit Loans or Convertible Revolving Credit Loans or fees (except for the Agent's Fee, and the Bid Loan Processing Fee) or other amounts due from the Borrower hereunder to the Banks with respect to the Revolving Credit Loans or Convertible Revolving Credit Loans, shall (except as provided in Section 4.4.3 in the case of an event specified in Section 4.4, 5.4.2 or 5.6) be made in proportion to the applicable Revolving Credit Loans or Convertible Revolving Credit Loans outstanding from each Bank and, if no such Loans are then outstanding from any Bank, in proportion to the Ratable Share of each Bank. Each borrowing of a Bid Loan shall be made according to the provisions in Section 2.8 hereof and each payment or prepayment by the Borrower of principal, interest, fees, or other amounts with respect to Bid Loans shall be made to the Banks in proportion to the amounts of such items due to such Banks; borrowings of and payments on Swingline Loans shall be governed, inter alia, by the terms of Section 2.11. Subject to Section 2.3, for purposes of determining the available Revolving Credit Commitments of the Banks at any time, each outstanding Bid Loan and each outstanding Swingline Loan shall be deemed to have utilized the Revolving Credit Commitments of the Banks pro rata in accordance with such respective Revolving Credit Commitments.

Interest Payment Dates.

Interest on Committed Loans to which the Base Rate Option or Cost of Funds Rate applies shall be due and payable in arrears on the first Business Day of each January, April, July, and October, after the date hereof and on the Revolving Credit Expiration Date or the Convertible Revolving Credit Expiration Date with respect to Revolving Credit Loans or Convertible Revolving Credit Loans, respectively, or upon acceleration of any Loan. Interest on Committed Loans and Bid Loans to which the Euro-Rate Option applies and Bid Loans to which the Bid Loan Fixed Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also at the end of each three (3) Month period within such Interest Period, calculated from the commencement thereof. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration, or otherwise).

Voluntary Prepayments; Reduction of Commitment.

Right to Prepay.

The Borrower shall have the right at its option from time to time to prepay the Committed Loans and Bid Loans in whole or part without premium or penalty (except as provided in Section 5.4.2 below or in Section 5.6):

(i) at any time with respect to any Committed Loan to which the Base Rate Option or Cost of Funds Rate applies,

(ii) on the last day of the applicable Interest Period with respect to Committed Loans to which a Euro-Rate Option applies, and

(iii) on the date specified in a notice by any Bank pursuant to Section 4.4 with respect to any Committed Loan or Bid Loan to which a Euro-Rate Option applies.

Whenever the Borrower desires to prepay any part of the Committed Loans or Bid Loans, it shall provide a prepayment notice to the Agent at its Principal Office in New York by 1:00 p.m. at least three (3) Business Days prior to the date of prepayment with respect to Loans to which the Euro-Rate Option applies and by 12:00 (noon) on the Business Day of prepayment with respect to Loans to which the Base Rate Option or Cost of Funds Rate applies setting forth the following information:

(x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;

(y) a statement indicating the application of the prepayment between the Revolving Credit Loans and Convertible Revolving Credit Loans and Swingline Loans and Bid Loans; and

(z) the total principal amount of such prepayment, which shall not be less than \$1,000,000 and in integral multiples of \$500,000 for Loans to which the Base Rate Option applies (other than with respect to the minimum amount of Swingline Loan prepayments which are addressed at Section 2.11.3) and which shall not be less than \$2,500,000 and in integral multiples of \$1,000,000 for Loans to which the Euro-Rate Option applies.

All prepayment notices shall be irrevocable. The principal amount of the Committed Loans for which a prepayment notice is given, together with interest on such principal amount, 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. Except as provided in Section 4.4.3, if the Borrower prepays a Committed Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Committed Loans to which the Base Rate Option applies, then to Loans to which the Committed Loan Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 5.6.2.

Borrower's rights and obligations with respect to prepayments of the Term Loan shall be the same as set forth herein for Convertible Revolving Credit Loans (except to the extent necessary to account for structural differences between the nature of Committed Loans and the Term Loan).

Replacement of a Bank.

In the event any Bank (i) gives notice under Section 4.4 or Section 5.6.1, (ii) does not fund Revolving Credit Loans, Convertible Revolving Credit Loans or Bid Loans because the making of such Loans would contravene any Law applicable to such Bank, (iii) does not approve any action as to which consent of the Required Banks is requested by the Borrower and obtained hereunder, (iv) does not

agree to an extension of the Convertible Revolving Credit Expiration Date in accordance with Section 3.4.1 and, however, the Required Banks do so agree, or (v) becomes subject to the control of an Official Body (other than normal and customary supervision),

then the Borrower shall have the right at its option, with the consent of the Agent, which shall not be unreasonably withheld, to prepay the Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within thirty (30) days after an event described in Clause (iv) directly above, or within ninety (90) days after (w) receipt of such Bank's notice under Section 4.4 or 5.6.1, (x) the date such Bank has failed to fund Revolving Credit Loans, Convertible Revolving Credit Loans or Bid Loans because the making of such Loans would contravene Law applicable to such Bank, (y) the date of obtaining the consent which such Bank has not approved, or (z) the date such Bank became subject to the control of an Official Body, as applicable; provided that the Borrower shall also pay to such Bank at the time of such prepayment any amounts required under Section 5.6 and any accrued interest due on such amount and any other fees and costs payable hereunder; provided, however, that the Revolving Credit Loans, Convertible Revolving Credit Loans, any other Commitments, and any Bid Loans of such Bank shall be provided by one or more of the remaining Banks or a replacement bank acceptable to the Agent or, upon payment of every such Loan and all related interest, fees, costs, and expenses (including those payable under Section 5.6), the Commitments of such Bank are permanently terminated; provided, further, the remaining Banks shall have no obligation hereunder to increase their Commitments or provide any Bid Loan of such Bank. Notwithstanding the foregoing, the Agent may only be replaced subject to the requirements of Section 10.14 and provided that all Letters of Credit shall have expired or been terminated or replaced.

Change of Lending Office.

Each Bank agrees that, upon the occurrence of any event giving rise to increased costs or other special payments under Section 4.4.2 or 5.6.1 with respect to such Bank, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal, or regulatory disadvantage, with the objective of avoiding the consequence of the event giving rise to the operation of such Sections. Nothing in this Section 5.4.3 shall affect or postpone any of the Obligations of the Borrower or any other Loan Party or the rights of the Agent or any Bank provided in this Agreement.

Reduction of Commitment.

The Borrower shall have the right at any time and from time to time upon five (5) Business Days' prior written notice to Agent to permanently and ratably reduce, in whole multiples of \$2,500,000 of principal, or terminate the Commitments without penalty or premium, except as hereinafter set forth, provided that the Revolving Credit Commitments and the Convertible Revolving Credit Commitments shall be reduced by equal amounts and any such reduction or termination shall be accompanied by (a) the payment in full of any Commitment Fee and other fees then accrued on the amount of such reduction or termination (b) prepayment of the Revolving Credit Notes and the Convertible Revolving Credit Notes (and, if necessary, of the Swingline Note and any Bid Note(s), together with cash collateralization, if necessary, of the Letters of Credit), together with the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 5.6 hereof),

to the extent that the aggregate amount thereof then outstanding exceeds the Commitments as so reduced or terminated. From the effective date of any such reduction or termination, the obligations of Borrower to pay the Commitment Fee shall correspondingly be reduced or cease, as the case may be.

(Reserved).

Additional Compensation in Certain Circumstances.

Increased Costs or Reduced Return Resulting From Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.

If, after the Closing Date, any Law, guideline, or interpretation or any change in any Law, guideline, or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Committed Loans or the Bid Loans or payments by the Borrower of principal, interest, fees, or other amounts due from the Borrower hereunder (except for taxes on the overall net income of such Bank),

(ii) imposes, modifies, or deems applicable any reserve, special deposit, or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies, or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits, or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

(iv) and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, or the making, maintenance, or funding of any part of the Committed Loans or the Bid Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's or its holding company's capital, taking into consideration such Bank's or holding company's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Agent of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income, additional expense, or reduced rate of return. Such notice shall set forth in reasonable detail the calculation determining the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank twenty (20) Business Days after such notice is given.

Indemnity.

In addition to the compensation required by Section 5.6.1 [Increased Costs, Etc.], the Borrower shall indemnify each Bank against all liabilities, losses, or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties, and any loss or

expense incurred in connection with funds acquired by a Bank to fund or maintain Loans subject to a Euro-Rate Option or the Bid Loan Fixed Rate Option) which such Bank sustains or incurs as a consequence of any:

(i) payment, prepayment, conversion, or renewal of any Loan to which a Euro-Rate Option or the Bid Loan Fixed Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary, or automatic and whether or not such payment or prepayment is then due), or

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices, or otherwise) in whole or part any Loan Requests or notice relating to prepayments, or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal of or interest on the Committed Loans or the Bid Loans, any fee, or any other amount due hereunder, or

(iv) payment or prepayment of any Bid Loan on a day other than the maturity date thereof (whether or not such payment or prepayment is mandatory or voluntary).

(v) If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses, and averaging or attribution methods as such Bank shall deem reasonable) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the calculation determining the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank twenty (20) Business Days after such notice is given.

For all purposes of this Agreement, each Bank's and Agent's determination of amounts payable under, and actions required or authorized by, Section 4.4 or Section 5.6 shall be calculated, at each Bank's and Agent's option, as though each Bank and Agent funded its Loans under the Euro-Rate Option through the purchase of deposits of the types and maturities corresponding to the deposits used as a reference in determining the Euro-Rate applicable to such Loans, whether in fact that is or is not the case.

Borrower and the other Loan Parties acknowledge and agree that payment of any indemnity under this Section 5.6 does not excuse any Obligation arising under any related or unrelated Hedge Agreement.

Taxes.

No Deductions.

All payments made by Borrower hereunder and under each Note shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the net income of any Bank and all income and franchise taxes applicable to any Bank of the United States (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter

referred to as "Taxes"). If Borrower shall be required by Law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.7.1) each Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions and (iii) Borrower shall timely pay the full amount deducted to the relevant tax authority or other authority in accordance with applicable Law.

Stamp Taxes.

In addition, Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies which arise from any payment made hereunder or from the execution, delivery, or registration of, or otherwise with respect to, this Agreement or any Note (hereinafter referred to as "Other Taxes").

Indemnification for Taxes Paid by a Bank.

Borrower shall indemnify each Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.7.3) paid by any Bank and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. The Agent shall use its best efforts, but shall not be penalized for failure, to alert Borrower to the assertion of any such claim for taxes. This indemnification shall be made within 30 days from the date a Bank makes written demand therefor.

Certificate.

Within 30 days after the date of any payment of any Taxes by Borrower, Borrower shall furnish to each Bank, at its address referred to herein, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment by Borrower, such Borrower shall, if so requested by a Bank, provide a certificate of an officer of Borrower to that effect.

Survival.

Without prejudice to the survival of any other agreement of Borrower hereunder, the agreements and obligations of Borrower contained in Sections 5.7.1 through 5.7.5 shall survive the payment in full of principal and interest hereunder and under any instrument delivered hereunder.

Judgment Currency.

Currency Conversion Procedures for Judgments.

If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under a Note in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties hereby agree, to the fullest extent permitted by Law, that the rate of exchange used shall be that at which in accordance with normal banking procedures each Bank could purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which final judgment is given.

Indemnity in Certain Events.

The obligation of Borrower in respect of any sum due from Borrower to any Bank hereunder shall, notwithstanding any judgment in an Other Currency, whether pursuant to a judgment or otherwise, be discharged only to the extent that, on the Business Day following receipt by any Bank of any sum adjudged to be so due in such Other Currency, such Bank may in accordance with normal banking procedures purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Bank in the Original Currency, Borrower agrees, as a separate obligation and notwithstanding any such judgment or payment, to indemnify such Bank against such loss.

Notes.

Upon the request of any Bank, the Revolving Credit Loans or Convertible Revolving Credit Loans made by such Bank may be evidenced respectively by a Revolving Credit Note or Convertible Revolving Credit Note, as the case may be, in the form of Exhibit 1.1(R) or Exhibit 1.1(C).

REPRESENTATIONS AND WARRANTIES

Representations and Warranties.

The Loan Parties, jointly and severally, represent and warrant to the Agent and each of the Banks as follows:

Organization and Qualification; Merger.

Each of Borrower and its Subsidiaries is a corporation, partnership, limited liability company, or other entity duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization. Each of Borrower and its Subsidiaries has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct, except where the failure to have such power would not, in the aggregate, result in a Material Adverse Change. Each of Borrower and its Subsidiaries is duly licensed or qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary, except where the failure to be so licensed or qualified or in good standing would not, in the aggregate, result in a Material Adverse Change. The Merger has been consummated in accordance with the terms of the Merger Agreement and applicable Law and Borrower is the resulting corporation from the merger of WABCO and MotivePower pursuant to the Merger Agreement.

Subsidiaries.

(a) Schedule 6.1.2 states the name of each of the Borrower's Subsidiaries, its jurisdictions of incorporation (or organization) and qualification, its authorized capital stock or other ownership interests, the issued and outstanding shares or similar interests (referred to herein as the "Subsidiary Shares"), and the owners thereof. The Borrower has good and marketable title to all of the Subsidiary Shares it purports to own, free and clear in each case of any Lien, except for Permitted Liens. All Subsidiary Shares have been validly issued, and all Subsidiary Shares are fully paid and

nonassessable. There are no options, warrants, or other rights outstanding to purchase any such Subsidiary Shares, except as indicated on Schedule 6.1.2.

(b) There is no direct or indirect Subsidiary of Borrower which is not a Loan Party hereunder, other than direct or indirect Subsidiaries of the Loan Parties that are organized under the Laws of a country, or a political subdivision of such country, other than the United States; and, each such Subsidiary is in compliance with Section 8.2.10.

Power and Authority.

Each Loan Party has full power to enter into, execute, deliver, and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

Validity and Binding Effect.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid, and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of any of such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

No Conflict.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them, nor the applicability of this Agreement or any other Loan Document to any non-domestic Subsidiary of Borrower, will conflict with, constitute a default under, or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement, or other organizational documents of Borrower or any Subsidiary of Borrower or (ii) any Law or any material agreement, indenture, or instrument or order, writ, judgment, injunction, or decree to which Borrower or any Subsidiary of Borrower is a party or by which it is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge, or encumbrance whatsoever upon any material property (now or hereafter acquired) of Borrower or any Subsidiary of Borrower (other than Liens granted under the Loan Documents).

Litigation.

Except as set forth on Schedule 6.1.6, there are no actions, suits, proceedings, or investigations pending or, to the knowledge of any Loan Party, threatened against Borrower or any Subsidiary of Borrower at law or equity before any Official Body which individually or in the aggregate would be reasonably likely to result in any Material Adverse Change. None of the Borrower or any of its

Subsidiaries is in violation of any order, writ, injunction, or any decree of any Official Body which would be reasonably likely to result in any Material Adverse Change.

Title to Properties.

Each of Borrower and each of its Subsidiaries has good and marketable title to or a valid leasehold interest in all material properties, assets, and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby, except where the failure to obtain any such consent, individually or in the aggregate, would not result in a Material Adverse Change.

Financial Statements.

(i) Historical Statements. MotivePower has delivered to the Agent copies of its audited consolidated year-end financial statements for and as of the end of the four (4) fiscal years ended December 31, 1995, December 31, 1996, December 31, 1997, and December 31, 1998 and WABCO has delivered to the Agent copies of its audited consolidated year-end financial statements for and as of the end of the fiscal year ended December 31, 1998 (collectively, the "Annual Statements"). In addition, MotivePower and WABCO have each delivered to the Agent copies of their respective unaudited consolidated interim financial statements for the first three (3) fiscal quarters of fiscal year 1999 through September 30, 1999 (the "Interim Statements") (the Annual and Interim Statements being collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained respectively by MotivePower's and WABCO's managements, and Borrower represents and warrants that the Historical Statements are correct and complete and, when combined, fairly represent the consolidated financial condition of the Borrower and its Subsidiaries, subject to adjustment for costs of the Merger. In addition, each of MotivePower and WABCO have delivered to the Agent financial statements showing their consolidated and consolidating financial condition and that of the other Loan Parties, as of the dates of the Historical Statements and the results of operations for the fiscal periods then ended, and all of the Historical Statements have been prepared in accordance with GAAP consistently applied, subject (in the case of the Interim Statements) to normal year-end audit adjustments.

(ii) Financial Projections. The Borrower has delivered to the Agent two sets of financial projections of the Borrower and its Subsidiaries taken as a whole for the period January 1, 1999, through December 31, 2004, derived from various assumptions of the Borrower's management, including one set of projections based upon no acquisitions and another set based upon the occurrence of acquisitions (the "Financial Projections"). On and as of the Closing Date, the Financial Projections represent a reasonable range of possible results in light of the history of the business, present and foreseeable conditions, and the intentions of the Borrower's management, all based upon the best information available to management on such date. On and as of the Closing Date, the Financial Projections accurately reflect the liabilities of the Borrower and its Subsidiaries upon consummation of the transactions contemplated by Borrower as of the Closing Date.

(iii) Accuracy of Financial Statements. Neither the Borrower nor any of its Subsidiaries has any material liabilities, contingent or otherwise, or forward or long-term commitments

that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of the Borrower or any other Loan Party which may cause a Material Adverse Change. Since December 31, 1998, no Material Adverse Change has occurred with respect to MotivePower or WABCO.

Use of Proceeds; Margin Stock.

General. The Loan Parties intend to use the proceeds of the Loans in accordance with Sections 2.7 and 8.1.10.

Margin Stock. None of the Loan Parties or any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally, or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used, immediately, incidentally, or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or 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 Borrower 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 Borrower or any Subsidiary of Borrower are or will be represented by margin stock.

Full Disclosure.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement, or other documents furnished to the Agent or any Bank in connection herewith or therewith, contains any untrue or incomplete statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that to the extent any such information constitutes or incorporates a forecast or projection, which shall remain subject however to Section 6.1.8(ii), the Borrower represents that it acted in good faith and utilized assumptions believed by it to be reasonable. There is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, results of operations, or prospects of Borrower or any Subsidiary of Borrower which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Agent and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

Taxes.

Except as set forth on Schedule 6.1.11, all tax returns required to have been filed with any Official Body with respect to each of MotivePower and its Subsidiaries, WABCO and its Subsidiaries, and Borrower and each of its Subsidiaries have been filed. Payment or adequate provision has been made by Borrower for the payment of all taxes, fees, assessments, and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments, and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. Except as set forth on Schedule 6.1.11, there are no agreements or waivers extending the statutory period of limitations applicable to any income tax return of Borrower or any of its Subsidiaries for any period.

Consents and Approvals.

No consent, approval, exemption, order, or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the Merger or the execution, delivery, and carrying out of this Agreement and the other Loan Documents by any Loan Party, except as have been obtained or made on or prior to the Closing Date, except as otherwise indicated on Schedule 6.1.12 or where the failure to have been obtained on the Closing Date would not cause a Material Adverse Change.

No Event of Default; Compliance With Instruments.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Borrower or any of its Subsidiaries is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement, or other organizational documents or (ii) any material agreement, indenture, or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

Patents, Trademarks, Copyrights, Licenses, Etc.

Borrower and each of its Subsidiaries owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits, and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by Borrower or any such Subsidiary, without known, possible, alleged, or actual conflict with the rights of others except where such known, possible, alleged or actual conflicts would not, individually or in the aggregate, result in a Material Adverse Change.

Insurance.

No notice has been given or claim made and no grounds exist to cancel or avoid any Loan Party's insurance policies or surety or similar bonds (or those of any predecessor of any Loan Party) or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from insurers believed by the Borrower to be reputable and financially sound and such policies and bonds are in amounts sufficient to insure the assets and risks of each of Borrower and each of its Subsidiaries in accordance with prudent business practice in its respective industry. Descriptions of insurance coverage pertaining to Borrower and its Subsidiaries and their property is set forth on Schedule 6.1.15.

Compliance With Laws.

Borrower and its Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 6.1.21) in all jurisdictions in which any of them is presently or will be doing business except where the failure to do so would not constitute a Material Adverse Change.

Material Contracts; Burdensome Restrictions.

All material contracts relating to the business operations of Borrower or any of its Subsidiaries, including all employee benefit plans and Labor Contracts, are described on Schedule 6.1.17 and are valid, binding, and enforceable upon such Person and each of the other parties thereto in accordance with their respective terms, and there is no default thereunder, to any Loan Party's knowledge, with respect to parties other than such Loan Party. None of the Borrower or any of its Subsidiaries is bound by any contractual obligation or subject to any restriction in any organization document or any requirement of Law, which would be reasonably likely to result in a Material Adverse Change.

Investment Companies; Regulated Entities.

None of the Borrower or any of its Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control." None of the Borrower or any of its Subsidiaries is subject to any other Law limiting its ability to incur Indebtedness for borrowed money.

Plans and Benefit Arrangements.

Except as set forth on Schedule 6.1.19:

(i) The Borrower and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans, and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Borrower, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Borrower or any other member of the ERISA Group. The Borrower, MotivePower, WABCO, and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Borrower, MotivePower, WABCO, and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA. All Plans, Benefit Arrangements, and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

(ii) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(iii) Neither the Borrower, MotivePower, WABCO, nor any other member of the ERISA Group has incurred and the Borrower reasonably expects not to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower, MotivePower, WABCO, nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Borrower, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

Employment Matters.

Each of the Borrower and its Subsidiaries is (and each of MotivePower and WABCO were) in compliance with the Labor Contracts and all applicable federal, state, and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls, and worker and unemployment compensation, except in all cases where the failure to comply would not constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards, or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling, or other work stoppages or slowdowns at facilities of Borrower or any of its Subsidiaries which in any case would constitute a Material Adverse Change.

Environmental Matters.

Except as set forth in Schedule 6.1.21, none of the Borrower or any of its Subsidiaries (or MotivePower or WABCO) has received any Environmental Complaint from any Official Body or private Person alleging that Borrower or any such Subsidiary (or MotivePower or WABCO) or any prior or subsequent owner of any of the Property is a potentially responsible party under the Comprehensive Environmental Response, Cleanup and Liability Act, 42 U.S.C. section 9601, et seq., or any other Law and none of Borrower or any of its Subsidiaries has any reason to believe that such an Environmental Complaint is reasonably likely to be received. There are no pending or, to any Loan Party's knowledge, threatened Environmental Complaints relating to Borrower or any of its Subsidiaries or, to any Loan Party's knowledge, any prior or subsequent owner of any of the Property pertaining to, or arising out of, any Environmental Conditions.

Senior Debt Status.

The Obligations of each Loan Party under this Agreement, the Guaranty Agreement, and each of the other Loan Documents to which it is a party do rank and will continue to rank senior to or at least pari passu in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens. There is no Lien upon or with respect to any of the properties or income of Borrower or any of its Subsidiaries which secures indebtedness or other obligations of any Person except for Permitted Liens and except for Liens which are to be released pursuant to the Payoff Letters.

Continuation of Representations.

The Loan Parties make the representations and warranties in this Article 6 on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Sections 7.1 and 7.2.

CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Bank to make Loans and of the Agent to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

First Loans and Letters of Credit.

On or before the date of the first Loan made or first Letter of Credit issued hereunder:

Officer's Certificate.

The representations and warranties of each of the Loan Parties contained in Section 6.1 and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Agent for the benefit of each Bank a certificate of each of the Loan Parties, dated the Closing Date and signed by the Chief Executive Officer, President, Vice President, Chief Financial Officer, Treasurer, or Controller of each of the Loan Parties, to each such effect.

Secretary's Certificate.

There shall be delivered to the Agent for the benefit of each Bank a certificate dated on or after the date hereof, but no later than the Closing Date, and signed by the Secretary or an Assistant Secretary of each of the Loan Parties, certifying as appropriate as to:

(i) all action required hereby has been taken by each Loan Party in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Agent and each Bank may conclusively rely; and

(iii) copies of its organizational documents, including its certificate of incorporation, certificate of merger, and bylaws, as in effect on the Closing Date certified, to the extent applicable, by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of each Loan Party that is a material operating company in each state where organized or qualified to do business.

Delivery of Guaranty Agreements and Intercompany Subordination Agreement.

The Guaranty Agreement and Intercompany Subordination Agreement acceptable to Agent shall have been duly executed and delivered to the Agent for the benefit of the Banks.

Opinion of Counsel.

There shall be delivered to the Agent for the benefit of each Bank a written opinion of Doepken Keevican & Weiss, counsel for the Loan Parties (together with opinions of such other counsel

as may be required by the Agent, including Canadian counsel), dated as of the Closing Date, and in form and substance satisfactory to the Agent and its counsel.

Legal Details.

All legal details and proceedings in connection with the transactions contemplated by the Merger Agreement, this Agreement, or any of the other Loan Documents (other than a Hedge Agreement) shall be in form and substance satisfactory to the Agent and counsel for the Agent, and the Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Agent and said counsel, as the Agent or said counsel may reasonably request. The Merger Agreement and all Loan Documents (other than a Hedge Agreement) shall be in form and substance satisfactory to the Agent. All necessary consents and approvals relating to the Merger shall have been obtained and the Merger shall have been consummated in accordance with the terms and conditions of the Merger Agreement.

Payment of Fees.

The Borrower shall have paid or caused to be paid to the Agent for itself and for the account of the Banks to the extent not previously paid all fees accrued through the Closing Date, and the costs and expenses for which the Agent and the Banks are entitled to be reimbursed.

Consents.

All material consents required to effectuate the transactions contemplated hereby as set forth on Schedule 6.1.12 shall have been obtained.

Officer's Certificate Regarding Material Adverse Changes.

Since December 31, 1998, no Material Adverse Change has occurred; prior to the Closing Date, there shall have been no material change in the management of any Loan Party other than that arising out of the Merger; and there shall have been delivered to the Agent for the benefit of each Bank a certificate dated on or after the date hereof, but no later than the Closing Date, and signed by the Chief Executive Officer, President, Treasurer or Chief Financial Officer of each Loan Party to each such effect.

No Violation of Laws.

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 Banks.

No Actions or Proceedings.

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, the Merger Agreement, this Agreement, the other Loan Documents, or the consummation of any of the transactions contemplated hereby or thereby or which, in

the Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

Payoff Letters; Release of Liens.

MotivePower, WABCO, or Borrower, as appropriate, shall have received from the lenders or their respective agents under each of the MotivePower Credit Agreement and the WABCO Credit Agreement an agreement by such lenders, or their respective agents on their behalf, to terminate the MotivePower Credit Agreement and the WABCO Credit Agreement (subject to the normal continuation of indemnification and similar provisions) and fully release and terminate all Liens held by or in favor of such lenders and their agents upon payment in full of the amounts outstanding under the MotivePower Credit Agreement and the WABCO Credit Agreement (the "Payoff Letters"); after the date hereof, Borrower shall use its best efforts to obtain the expeditious release of such Liens.

Each Additional Loan or Letter of Credit.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit, the representations and warranties of the Loan Parties contained in Section 6.1 and in the other Loan Documents shall be true on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Loan Parties shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Loans or issuance of such Letter of Credit shall not contravene any Law applicable to any Loan Party or any of the Banks; and the Borrower shall have delivered to the Agent a duly executed and completed Loan Request or application for a Letter of Credit, as the case may be.

COVENANTS

Affirmative Covenants.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations, and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations, and termination of the Commitments, the Loan Parties shall comply and, where applicable, cause the non-domestic Subsidiaries of Borrower to comply at all times with the following affirmative covenants:

Preservation of Existence, Etc.

Each of Borrower and its Subsidiaries shall maintain its legal existence as a corporation, limited partnership, limited liability company, or other legally recognized entity and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 8.2.5.

Payment of Liabilities, Including Taxes, Etc.

Each of Borrower and its Subsidiaries shall duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments, and governmental charges upon it or any of its properties, assets, income, or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments, or charges are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, but only to the extent that failure to discharge any such liabilities would result in a Material Adverse Change, provided that the Borrower and each of its Subsidiaries will pay all such liabilities forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor.

Maintenance of Insurance.

Each of Borrower and its Subsidiaries shall 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 Borrower to be reputable and financially sound, including self-insurance to the extent customary, all as reasonably determined by the Agent. Borrower shall provide to the Agent and each of the Banks, no later than the date on which annual financial statements are to be provided to the Agent and the Banks pursuant to Section 8.3.2, evidence (in such form as is satisfactory to the Agent) of compliance with the terms of this Section.

Maintenance of Properties and Leases.

Each of Borrower and its Subsidiaries shall maintain in good repair, working order, and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time each of Borrower and its Subsidiaries will make or cause to be made all appropriate repairs, renewals, or replacements thereof.

Maintenance of Patents, Trademarks, Etc.

Each of Borrower and its Subsidiaries shall maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits, and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

Visitation Rights.

Each of Borrower and its Subsidiaries shall permit any of the officers or authorized employees or representatives of the Agent or any of the Banks to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances, and accounts with its officers, all in such detail and at such times and as often as any of the Banks or Agent may reasonably request, provided that each Bank shall provide the Borrower and the Agent with reasonable notice prior to any visit or inspection. In the event any Bank desires to conduct an audit of

Borrower or any of its Subsidiaries, such Bank shall make a reasonable effort to conduct such audit contemporaneously with any audit to be performed by the Agent.

Keeping of Records and Books of Account.

Each Loan Party shall, and shall cause each Subsidiary of any Loan Party to, maintain and keep proper books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Borrower, and in which full, true, and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

Plans and Benefit Arrangements.

The Borrower shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Borrower shall cause all of its Plans and all Plans maintained by any member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each member of the ERISA Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements, and Multiemployer Plans.

Compliance With Laws.

Each of Borrower and its Subsidiaries shall comply with all applicable Laws, including all Environmental Laws and all Laws regarding labor and employment, health, safety and employment benefits, in all respects, provided that it shall not be deemed to be a violation of this Section 8.1.9 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities, or injunctive relief which in the aggregate would constitute a Material Adverse Change.

Use of Proceeds.

The Letters of Credit and the proceeds of the Loans may be used by Borrower only to refinance the amounts outstanding under the Pulse Note, the MotivePower Credit Agreement and the WABCO Credit Agreement and for general corporate purposes, Permitted Acquisitions and working capital needs of the Borrower and its Subsidiaries to the extent not in violation hereof. The Letters of Credit and the proceeds of the Loans may not be used for any purpose which contravenes any applicable Law or any provision hereof.

Year 2000.

The Borrower and its Subsidiaries have reviewed areas within their business and operations which could be materially adversely affected by, and have developed or are developing a program to address on a timely basis, the risk that material computer applications used by the Borrower or its Subsidiaries (or any of their respective material suppliers, customers or vendors) may be unable to recognize and perform properly date-sensitive functions involving dates prior to and after December 31, 1999 (the "Year 2000 Problem"). To the best of Borrower's knowledge, the Year 2000 Problem will not result in any Material Adverse Change.

Lien Priority.

To the extent that any Loan Party grants any Lien (other than any Permitted Lien (except Permitted Liens referred to in clause (vi) of such defined term)) to any Person, such Loan Party shall grant to Agent for the benefit of the Banks a Lien of equal priority covering the same Property as is granted to such Person.

Negative Covenants.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations, and Letter of Credit Borrowings and interest thereon and the expiration or termination of all Letters of Credit and satisfaction of all of the Loan Parties' other Obligations and termination of the Commitments, the Loan Parties shall comply and, where applicable, shall cause the non-domestic Subsidiaries of the Borrower to comply with the following negative covenants:

Indebtedness, Rents.

Neither the Borrower nor any of its Subsidiaries shall at any time create, incur, assume, permit, or suffer to exist any Indebtedness or Rents, except:

(i) Indebtedness under the Loan Documents;

(ii) Existing Indebtedness as set forth on Schedule 8.2.1 (including any extensions, renewals, or refinancings thereof, provided that such renewed, refinanced, or extended debt is not senior in right of payment or priority to the Loans and there is no increase in the amount thereof or other significant change in the terms thereof that is more burdensome than the debt being renewed, extended or refinanced (including no additional collateral therefor or guaranties thereof), and provided that any refinancing, renewals, or extensions of any of the Indentures shall not cause, directly or indirectly any limitation on Guaranties given by any Loan Parties);

(iii) Indebtedness of the Borrower or any of its Subsidiaries arising from industrial development bond or similar financing, capitalized leases, synthetic leases, or Indebtedness secured by Purchase Money Security Interests, provided that the aggregate Indebtedness of the Borrower and its Subsidiaries from all such sources does not exceed at any time \$60,000,000;

(iv) Indebtedness of any non-domestic Subsidiary of Borrower to any domestic 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 minus the sum (in the equivalent amount of Dollars and without counting any item addressed in this Clause (iv) more than once) of (A) the aggregate amount of loans and Net Investments by Borrower or any Subsidiary thereof to or in Ventures and of Net Investments by Borrower or any of its Subsidiaries in non-domestic Subsidiaries of Borrower, (B) the aggregate amount of all Indebtedness at such time of calculation of all Ventures to the extent Borrower or any Subsidiary of Borrower is obligated (contractually or by Law) thereon to any Person other than the Borrower or any Subsidiary thereof, and (C) Net Consideration;

(v) Unsecured Indebtedness of domestic Loan Parties, provided that (A) all such Indebtedness of a domestic Loan Party to another domestic Loan Party is at all times subject to the Intercompany Subordination Agreement, and (B) with respect to Indebtedness of domestic Loan Parties to Persons which are not the Borrower or any of its Subsidiaries, the Obligations hereunder of the Loan Parties shall at all times rank no less than pari passu with the Indebtedness addressed by this Clause (v)(B), the Indebtedness addressed by this Clause (v)(B) shall at no time be senior in right or priority of payment to any of the Obligations hereunder of the Loan Parties, the covenants, events of default and other obligations relating to the Indebtedness addressed by this Clause (v)(B) shall not be more restrictive than those contained herein, and the Indebtedness addressed by this Clause (v)(B) shall not be due or payable by its terms earlier than one year after the Revolving Credit Expiration Date;

(vi) Indebtedness under Hedge Agreements of Borrower or any Subsidiary thereof, provided that no Hedge Agreement shall be permitted for speculative purposes;

(vii) Rents not in excess of \$20,000,000 per annum;

and

(viii) Unsecured Indebtedness of Borrower to any non-domestic Subsidiary of Borrower, provided that, all such Indebtedness is subject to the Intercompany Subordination Agreement or a subordination agreement substantially similar thereto.

Liens; Sale Leasebacks.

(a) None of the Borrower or any of its Subsidiaries shall at any time create, incur, assume, permit, or suffer to exist any Lien on any Property or assets, tangible or intangible, now owned or hereafter acquired by any Loan Party, or agree or become liable to do so, except Permitted Liens.

(b) None of the Borrower or any of its Subsidiaries shall at any time enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred (a "Sale Leaseback Transaction"), except Sale and Leaseback Transactions entered into by the Borrower or any Subsidiary to finance the acquisition of equipment and other property so long as (i) the sum of the present value (at the time of determination and discounted at the actual rate of interest implicit in such transaction) of all obligations of the lessee for net rental payments during the remaining terms of the leases included in all Sale and Leaseback Transactions (including any period for which a lease has been extended or may, at the option of the lessor, be extended) shall not exceed \$10,000,000, and (ii) each Sale and Leaseback Transaction occurs within 180 days after the acquisition of such equipment or other property.

Guaranties.

Neither the Borrower nor any of its Subsidiaries shall, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guaranty, become surety for, endorse or otherwise become or remain directly, indirectly or contingently liable upon or with respect to any obligation or liability of any other Person, except for Guaranties of the Indebtedness of the Borrower and its Subsidiaries permitted hereunder.

Loans and Investments.

Neither the Borrower nor any of its Subsidiaries shall, at any time, make or suffer to remain outstanding any loan or advance to, or purchase, acquire, or own any stock, bonds, notes, or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to or other Investment in, any other Person, or agree, become or remain liable to do any of the foregoing, except:

- (i) trade credit extended on usual and customary terms in the ordinary course of business;
- (ii) advances to employees of Loan Parties to meet expenses incurred by such employees in the ordinary course of business;
- (iii) Permitted Investments; and
- (iv) Permitted Acquisitions.

Liquidations, Mergers, Consolidations, Acquisitions.

Neither the Borrower nor any of its Subsidiaries shall dissolve, liquidate, or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease, or otherwise all or substantially all of the assets or capital stock of any other Person, except:

(1) any domestic Loan Party other than the Borrower may consolidate or merge into Borrower or any other domestic Loan Party which is wholly owned by Borrower or one or more of the other domestic Loan Parties, and

(2) Borrower or any Subsidiary may acquire, whether by purchase or by merger, (A) substantially all of the ownership interests of another Person or (B) substantially all the assets of another Person or of a business or division of another Person (each a "Permitted Acquisition"), provided that each of the following requirements is met:

(i) if one or more of Borrower or any Subsidiary are acquiring such ownership interests in such Person, such Person shall join this Agreement as a Guarantor and execute a Guarantor Joinder pursuant to Section 11.18 on or before the date of such Permitted Acquisition unless the execution of a Guarantor Joinder by such Person would cause material adverse tax consequences to Borrower under Section 956 of the Internal Revenue Code;

(ii) with respect to any such acquisition which results in the acquisition of a non-domestic Subsidiary of Borrower or of assets held by a non-domestic Subsidiary of Borrower, the aggregate amount of Consideration paid, incurred, given or assumed by any one or more of Borrower or its Subsidiaries in connection with such an acquisition shall not exceed the equivalent amount of \$100,000,000 minus the sum (in the equivalent amount of Dollars and without counting any item addressed in this Clause (ii) more than once) of (A) the aggregate amount in existence at the time of such acquisition of loans or Net Investments by Borrower or any Subsidiary thereof to or in Ventures or non-domestic Subsidiaries of Borrower, (B) the aggregate amount of all Indebtedness of the non-domestic Subsidiaries of Borrower owing at the time of such acquisition to any Person other than the Borrower or a Subsidiary thereof, (C) the aggregate amount of all Indebtedness at such time of calculation of all

Ventures to the extent Borrower or any Subsidiary of Borrower is obligated (contractually or by Law) thereon to any Person other than the Borrower or any Subsidiary thereof, and (D) Net Consideration;

(iii) the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition and, the Loan Parties also shall have delivered to the Banks written evidence of the approval of the board of directors (or equivalent body) of such Person for such Permitted Acquisition;

(iv) the domestic Loan Party shall be the surviving Person in the event of a merger with a domestic Person and a Subsidiary of Borrower shall be the surviving Person in the event of a merger with a non-domestic Person and no Change of Control (as such term is defined in Section 9.1.13) shall occur with respect to the Loan Party or Subsidiary of Borrower and, as appropriate, the Loan Party shall assume all Obligations in writing; and the business acquired, or the business conducted by the Person whose ownership interests are being acquired, as applicable, shall be in compliance with Section 8.2.11;

(v) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

(vi) the Borrower shall demonstrate that it shall be and would have been in compliance with the covenants contained in Sections 8.2.14, 8.2.15, and 8.2.16, for the four fiscal quarters covered thereby (as applicable) after giving effect to such Permitted Acquisition (including in such computations Indebtedness or other liabilities assumed or incurred in connection with such Permitted Acquisition and including income earned or expenses incurred by the Person, business or assets to be acquired for the most recent four fiscal quarters ending prior to the date of such Permitted Acquisition, but excluding extraordinary expenses or income of such Person, business or assets) by delivering at least five (5) Business Days prior to such Permitted Acquisition a certificate in the form of Exhibit 8.2.5 evidencing such compliance; and

(vii) in connection with any Permitted Acquisition, Borrower shall provide to Agent upon its request such further documents and take such further actions as Agent shall reasonably request in connection with providing information pertaining to a proposed Permitted Acquisition at least five (5) days prior to such proposed Permitted Acquisition.

Dispositions of Assets or Subsidiaries.

(a) Neither Borrower nor any of its Subsidiaries shall sell, convey, assign, lease, abandon, or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount, securitization, factoring, or other disposition of accounts, contract rights, chattel paper, equipment, or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests, limited liability company interests, or similar interest of Borrower or any Subsidiary thereof), except:

(i) transactions involving the sale or lease of inventory in the ordinary course of business;

(ii) any sale, transfer, or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of Borrower's or such Subsidiary's business;

(iii) any sale, transfer, or lease of assets by Borrower or any Subsidiary of Borrower to a domestic Loan Party or any sale, transfer, or lease of assets permitted pursuant to clause (v) of the definition of Permitted Investments;

(iv) any sale, transfer, or lease of assets in the ordinary course of business which are replaced by comparable substitute assets acquired or leased within one (1) year of the date of dispossession; or

(v) any sale, transfer, or lease of assets (other than those specifically excepted pursuant to clauses (i) through (iv) above), including any sale, transfer or other disposition of assets relating to any one or more securitization, factoring, or similar dispositions of assets (each a "Securitization"), provided that (i) at the time of any such disposition, no Event of Default shall exist or shall result from such disposition, (ii) the aggregate value of all assets so transferred or disposed of by Borrower or any Subsidiary of Borrower shall not exceed: (A) 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 (B) 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 (B)) 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 (C) during the period commencing on the date hereof and continuing until the Revolving Credit Expiration 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 (C)) 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 (iii) with respect to any one or more Securitizations occurring at any time or times from the date hereof until the Revolving Credit Expiration Date, (X) all Securitizations shall be on a non-recourse basis to Borrower 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 Agent and the Agent's acceptance thereof shall not be unreasonably withheld.

(b) So long as any of the Indentures remain in effect and notwithstanding any other term hereof, but in order to permit Borrower to effect Borrower's tax planning objectives and achieve the synergistic objectives of the Merger and for other general corporate purposes, the aggregate net book value of the assets of all Persons that were Subsidiaries of MotivePower directly prior to the Closing Date (each a "MotivePower Subsidiary") shall at no time decrease by an amount in excess of 10% of the aggregate net book value of the assets of all MotivePower Subsidiaries as of the Closing Date.

Affiliate Transactions.

None of the Borrower or any of its Subsidiaries shall enter into or carry out any material transaction (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person) unless such transaction is not prohibited by this Agreement, is entered into upon terms that are fair and reasonable and at arm's length with respect to each of Borrower and its Subsidiaries that are parties thereto and is in accordance with all applicable Law.

Negative Pledges.

Neither the Borrower nor any of its Subsidiaries shall enter into any agreement with any Person which prohibits the Borrower or any of its Subsidiaries from granting Liens to the Agent or the Banks, except that a Loan Party may enter such agreement with respect to material Indebtedness which is in an amount in excess of \$50,000,000 and permitted under Section 8.2.1(v)(B), provided that such agreement does not prohibit or restrict any of the domestic Loan Parties from granting Liens to the Agent or the Banks except, solely with respect to the Indentures or any permitted refinancings thereof, on the condition that such Liens also be granted to the holders of such Indebtedness. Neither the Borrower nor any of its Subsidiaries shall enter into any agreement with any Person which has the effect of pledging any of the capital stock of the Borrower or any of its Subsidiaries to any Person other than the Banks or which prohibits the granting of such a pledge to the Agent for the benefit of the Banks, provided that the existing pledge agreement pursuant to which the ESOP (defined below) pledged the WABCO stock which the ESOP owns to WABCO as security for the loan made from WABCO to the ESOP shall be permitted to continue in accordance with its terms.

Restricted Payments; Agreements Restricting Dividends.

(a) Each of the Loan Parties covenants and agrees that it and each of its Subsidiaries shall not declare or pay, directly or indirectly, any dividend or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities, or a combination thereof, with respect to any shares of its capital stock, partnership interests, limited liability company interests, or the like or directly or indirectly redeem, purchase, retire, or otherwise acquire for value (or permit any Subsidiary to purchase or acquire) any shares of any class of its capital stock, partnership interests, limited liability company interests, or the like or set aside any amount for any such purpose; provided, however, that (i) any Subsidiary may declare and pay dividends or make other distributions to the Borrower or to any other Loan Party; (ii) the Borrower may repurchase or redeem the common stock, par value \$.01 per share, of the Borrower (the "Common Stock") required to be repurchased or redeemed pursuant to the terms of the Westinghouse Air Brake Company Employee Stock Ownership Plan, effective January 1, 1995, and the Westinghouse Air Brake Company Employee Stock Ownership Trust, established effective January 1, 1995, pursuant to the Trust Agreement between Borrower and U.S. Trust Company of California, N.A., as Trustee, as such plan and trust may be amended, modified, or supplemented from time to time (collectively, the "ESOP") (and the applicable provisions of ERISA and the Code); (iii) unless an Event of Default, or any Potential Default under Section 9.1.1(ii) shall have occurred and be continuing, the Borrower may repurchase its Common Stock; and (iv) unless an Event of Default, or any Potential Default under Section 9.1.1(ii) shall have occurred and be continuing, the Borrower may declare and pay cash dividends in respect of its Common Stock (including Common Stock held by the ESOP); provided, further, that the aggregate amount of repurchases, redemptions, and dividends (net of dividends on unallocated shares of Common Stock of the Borrower that are returned to the Borrower) made pursuant to clauses (iii) and (iv) of this Section 8.2.9(a) with respect to any fiscal year shall not exceed 50% of the accumulated consolidated net income of Borrower and its Subsidiaries for that fiscal year.

(b) Each of the Loan Parties covenants and agrees that it and each of its Subsidiaries shall not enter into any agreement with any Person which restricts the right of any of the Subsidiaries of Borrower to pay dividends or other distributions to Borrower or any of its Subsidiaries or repay intercompany loans from Borrower or any of its Subsidiaries to Borrower or any of its Subsidiaries, other than as may be provided herein and in the Indentures.

Subsidiaries.

Neither Borrower nor any of its Subsidiaries shall own or create directly or indirectly any one or more Subsidiaries other than (a) any Subsidiary which has joined this Agreement as a Guarantor on the date hereof or (b) any Subsidiary owned or formed after the date hereof which joins this Agreement as a Guarantor by its execution of a Guarantor Joinder pursuant to Section 11.18, unless in each case such Subsidiary is a non-domestic Subsidiary and the execution of a Guarantor Joinder by such Subsidiary would cause material adverse tax consequences to Borrower under Section 956 of the Internal Revenue Code.

Continuation of or Change in Business.

None of the Borrower or any of its Subsidiaries shall engage in any business other than businesses that the Borrower and its Subsidiaries conduct on the date hereof and other activities reasonably incidental thereto or to the operations of a company of the size and nature of any of the Loan Parties.

Plans and Benefit Arrangements.

None of the domestic Loan Parties shall engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances results in liability under ERISA or otherwise violates ERISA except where such liability or violation would not result in a Material Adverse Change.

Intentionally Omitted.

Minimum Interest Coverage Ratio.

The Loan Parties shall not permit the ratio of Cash Flow to consolidated interest expense (including the interest component of payments made in connection with capitalized leases, synthetic leases, and similar leases) of Borrower and its Subsidiaries, calculated as of the end of each fiscal quarter for the immediately preceding four (4) fiscal quarters then ended, to be less than 3.5 to 1.0.

Maximum Debt to Cash Flow.

The Loan Parties shall not permit the ratio of Consolidated Total Indebtedness to Cash Flow, calculated as of the end of each fiscal quarter for the immediately preceding four (4) fiscal quarters then ended, to exceed 3.75 to 1.0.

Minimum Tangible Net Worth.

On the Closing Date through March 30, 2000, the Loan Parties shall not permit Consolidated Tangible Net Worth to be less than negative \$111,000,000; provided, however, that until March 30, 2000, Borrower may exclude from the calculation of Consolidated Tangible Net Worth an amount up to \$60,000,000 for the value of goodwill associated with acquisitions after the Closing Date, for share repurchases and for dividends paid after the Closing Date to March 30, 2000; provided further, however, that such exclusion shall not be allowed if Borrower, on a consolidated basis, is not profitable (excluding from the calculation of profitability extraordinary payments and extraordinary income relating to the Merger) during such period. For all times after March 30, 2000, the Loan Parties shall not at any

time permit Consolidated Tangible Net Worth to be less than the amount set forth below for the corresponding period set forth below:

FOR THE PERIOD:	CONSOLIDATED TANGIBLE NET WORTH SHALL BE NO LESS THAN:
March 31, 2000, through June 29, 2000	Negative \$100,000,000
June 30, 2000, through September 29, 2000	Negative \$92,500,000
September 30, 2000, through December 30, 2000	Negative \$85,000,000
December 31, 2000, through March 30, 2001	Negative \$77,500,000
March 31, 2001, through June 29, 2001	Negative \$70,000,000
June 30, 2001, through September 29, 2001	Negative \$62,500,000
September 30, 2001, through December 30, 2001	Negative \$55,000,000
December 31, 2001, through March 30, 2002	Negative \$47,500,000
March 31, 2002, through June 29, 2002	Negative \$38,750,000
June 30, 2002, through September 29, 2002	Negative \$30,000,000
September 30, 2002, through December 30, 2002	Negative \$21,250,000
December 31, 2002, through March 30, 2003	Negative \$12,500,000
March 31, 2003, through June 29, 2003	Negative \$3,750,000
June 30, 2003, through September 29, 2003	Positive \$5,000,000
September 30, 2003, through December 30, 2003	Positive \$13,750,000
December 31, 2003, through March 30, 2004	Positive \$22,500,000
March 31, 2004, through June 29, 2004	Positive \$31,250,000
June 30, 2004, through September 29, 2004	Positive \$40,000,000

Covenant Calculations.

In the event of a proposed Permitted Acquisition, Borrower shall demonstrate pro forma compliance with each of Sections 8.2.14 through 8.2.16 by determining the calculations of each such Section as if such Permitted Acquisition and all obligations of Borrower and its Subsidiaries incurred in

connection therewith had been completed and incurred at the beginning of the period for each such calculation.

Capital Expenditures.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make any Capital Expenditures, except that the Borrower and its Subsidiaries may make Capital Expenditures during each fiscal year up to the corresponding amount set forth in the table below opposite such fiscal year:

YEAR	AMOUNT
1999	\$54,000,000
2000	\$59,000,000
2001	\$70,000,000
2002	\$59,000,000
2003	\$59,000,000
2004	\$59,000,000

The amount of Capital Expenditures permitted pursuant to this Section 8.2.18 in any fiscal year other than 1999, shall be increased by the total amount of unused permitted Capital Expenditures for the immediately preceding fiscal year (less an amount equal to any unused Capital Expenditures carried forward to such preceding year). All such Capital Expenditures shall be made under usual and customary terms and in the ordinary course of business.

Reporting Requirements.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations, and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents and termination of the Commitments, the Loan Parties will furnish or cause to be furnished to the Agent and each of the Banks:

Quarterly Financial Statements.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year: financial statements of the Borrower and its Subsidiaries, consisting of the consolidated 10-Q as well as a consolidating balance sheet, statements of income, stockholders' equity, and cash flows of Borrower and its Subsidiaries, all as of the end of such fiscal quarter for the fiscal quarter then ended and the fiscal year through that date, and all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or Controller of the Borrower as having been prepared in accordance with GAAP, consistently applied.

Annual Financial Statements.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Borrower: financial statements of the Borrower and its Subsidiaries, consisting of the consolidated 10-K, all in reasonable detail and certified by independent certified public accountants of nationally recognized standing satisfactory to the Agent, as well as a consolidating balance sheet, statements of income, stockholders' equity, and cash flows of Borrower and its Subsidiaries. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition, or contingency which would materially impair the prospect of payment or performance of any covenant, agreement, or duty of any Loan Party under any of the Loan Documents.

Certificate of the Borrower.

Concurrently with the financial statements of the Borrower furnished to the Agent and to the Banks pursuant to Sections 8.3.1 and 8.3.2, a certificate of the Borrower signed by the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or Controller of the Borrower, in the form of Exhibit 8.3.3, to the effect that, except as described pursuant to Section 8.3.4, (i) the representations and warranties of the Borrower and other Loan Parties contained in Section 6.1 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time) and the Loan Parties have performed and complied with, and have caused the non-domestic Subsidiaries of Borrower to be and remain in compliance with, all covenants and conditions hereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate, and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 8.2.

Notice of Default.

Promptly after any officer of the Borrower has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or Controller of Borrower setting forth the details of such Event of Default or Potential Default and the action which Borrower and any other Loan Party proposes to take with respect thereto.

Notice of Litigation.

Promptly after the commencement thereof, notice of all actions, suits, proceedings, or investigations before or by any Official Body or any other Person against Borrower or any Subsidiary of Borrower, involving a claim or series of claims in excess of \$10,000,000 or which if adversely determined would constitute a Material Adverse Change.

Intentionally Omitted.

(Reserved).

Budgets, Forecasts, Other Reports, and Information.

(i) Borrower shall provide the annual forecasts (to include the balance sheet, profit and loss statement and statement of cash flows) of the Borrower and its Subsidiaries taken together, to be supplied not later than the last day of February of each year beginning with February 29, 2000.

Promptly upon their becoming available to the Borrower, Borrower shall provide to the Agent and each of the Banks:

(ii) excerpts of management letters submitted to Borrower by independent accountants in connection with any annual, interim, or special audit, related to matters covered under this Agreement,

(iii) any reports, notices, or proxy statements generally distributed by the Borrower to its stockholders on a date no later than the date supplied to such stockholders,

(iv) regular or periodic reports, including Forms 10-K, 10-Q, and 8-K, registration statements and prospectuses, filed by the Borrower with the SEC,

(v) such other reports and information as any of the Banks may from time to time reasonably request. The Borrower shall also notify the Banks promptly of the enactment or adoption of any Law which may result in a Material Adverse Change.

Notices Regarding Plans and Benefit Arrangements.

Certain Events. Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any Reportable Event with respect to the Borrower or MotivePower or WABCO or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been waived),

(ii) any Prohibited Transaction which could subject the Borrower or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement, or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by the Borrower or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,

(v) any cessation of operations (by the Borrower or MotivePower or WABCO or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(vi) withdrawal by the Borrower or MotivePower or WABCO or any other member of the ERISA Group from a Multiple Employer Plan,

(vii) a failure by the Borrower or MotivePower or WABCO or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

Notices of Involuntary Termination and Annual Reports. Promptly after receipt thereof, copies of (a) all notices received by the Borrower or MotivePower or WABCO or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Borrower or MotivePower or WABCO or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by the Borrower or MotivePower or WABCO or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Borrower or MotivePower or WABCO or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by the Borrower or MotivePower or WABCO or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

Notice of Voluntary Termination. Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

DEFAULT

Events of Default.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary, or effected by operation of Law):

Payments Under Loan Documents.

The Borrower shall fail to pay (i) any principal of any Loan (including scheduled installments, mandatory prepayments, or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing when such principal is due hereunder or (ii) any interest on any Loan, Reimbursement Obligation, or Letter of Credit Borrowing or any other amount owing hereunder or under the other Loan Documents within five (5) Business Days after such interest or other amount becomes due in accordance with the terms hereof or thereof;

Breach of Warranty.

Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument, or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

Breach of Negative Covenants or Visitation Rights.

A default shall occur in the observance or performance of any covenant contained in Section 8.1.6 or Section 8.2;

Breach of Other Covenants.

A default shall occur in the observance or performance of any other covenant, condition, or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of twenty (20) Business Days after any officer of the Borrower becomes aware of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Loan Parties as determined by the Agent in its sole discretion);

Defaults in Other Agreements or Indebtedness.

A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which Borrower or any Subsidiary thereof may be obligated as a borrower or guarantor in excess of \$5,000,000 in the aggregate, and such breach, default, or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration, or otherwise) or if such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

Final Judgments or Orders.

Any final judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate shall be entered against Borrower or any Subsidiary thereof by a court having jurisdiction in the premises, which judgment is not discharged, vacated, bonded, or stayed pending appeal within a period of thirty (30) days from the date of entry;

Loan Document Unenforceable.

Any of the Loan Documents shall cease to be legal, valid, and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers, or privileges intended to be created thereby;

Proceedings Against Assets.

Any material assets of Borrower or any of its Subsidiaries are attached, seized, levied upon, or subjected to a writ or distress warrant or come within the possession of any receiver, trustee, custodian, or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

Notice of Lien or Assessment.

A notice of Lien or assessment in excess of \$10,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the assets of Borrower or any of its Subsidiaries by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal, or other governmental agency, including the PBGC, or any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within thirty (30) days after the same becomes payable;

Insolvency.

Borrower or any Subsidiary of Borrower ceases to be solvent or admits in writing its inability to pay its debts as they mature;

Events Relating to Plans and Benefit Arrangements.

Any of the following occurs: (i) any Reportable Event, which the Agent determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii), or (iv) above, the Agent determines in good faith that the amount of the Borrower's liability is likely to exceed 10% of its Consolidated Tangible Net Worth; (v) the Borrower or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) the Borrower or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) the Borrower or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) the Borrower or any other member of the ERISA Group shall withdraw (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or (ix) any applicable Law is adopted, changed, or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans, or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii), or (ix), the Agent determines in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by the Borrower and the other members of the ERISA Group;

Cessation of Business.

The Borrower and its Subsidiaries taken as a whole cease to conduct any material portion of their business as currently conducted or as contemplated, except as expressly permitted under Section 8.2.5;

Change of Control.

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 of (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) 20% or more of the voting capital stock of the Borrower; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Borrower on the first day of such period shall cease to constitute a majority of the board of directors of the Borrower (in each instance, a "Change of Control");

Material Adverse Changes.

Any Material Adverse Change shall occur;

Involuntary Proceedings.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of Borrower or any Subsidiary of Borrower in an involuntary case under any applicable bankruptcy, insolvency, reorganization, or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or conservator (or similar official) of Borrower or any Subsidiary of Borrower for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of forty-five (45) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

Voluntary Proceedings.

Borrower or any Subsidiary of Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, or conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

Consequences of Event of Default.

Events of Default Other Than Bankruptcy, Insolvency, or Reorganization Proceedings.

If an Event of Default specified under Sections 9.1.1 through 9.1.14 shall occur and be continuing (other than an Event of Default specified in Section 9.1.10), the Banks and the Agent shall be under no further obligation to make Revolving Credit Loans, Convertible Revolving Credit Loans, Swingline Loans, or Bid Loans or issue Letters of Credit, as the case may be, and the Agent may, and upon the request of the Required Banks, shall by written notice to the Borrower, take one or more of the following actions: (i) terminate the Commitments and thereupon the Commitments shall be terminated and of no further force and effect, or (ii) declare the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness (other than Indebtedness arising under a Hedge Agreement, the remedies under which shall be governed by the terms thereof) of the Borrower to the Banks and the Agent hereunder and thereunder to be forthwith due and

payable, and the same shall thereupon become and be immediately due and payable to the Agent for the benefit of each Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (iii) require the Borrower to, and the Borrower shall thereupon, deposit in a interest-bearing account with the Agent, as cash collateral for its Obligations (including those under Hedge Agreements) under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Agent and the Banks, and grants to the Agent and the Banks a security interest in, all such cash, deposit, and account, and the proceeds thereof, as security for such Obligations (including those under Hedge Agreements). Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Agent shall return such cash collateral to the Borrower; and

Bankruptcy, Insolvency, or Reorganization Proceedings.

If an Event of Default specified under Section 9.1.10 or Sections 9.1.15 or 9.1.16 shall occur, the Commitments shall automatically terminate and be of no further force and effect, the Banks and the Agent shall be under no further obligations to make Revolving Credit Loans, Convertible Revolving Credit Loans, or Bid Loans hereunder or issue Letters of Credit, as the case may be, and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness (other than Indebtedness arising under a Hedge Agreement, the remedies under which shall be governed by the terms thereof) of the Borrower to the Banks and the Agent hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and the Borrower shall deposit in an interest-bearing account with the Agent, as cash collateral for its Obligations under the Loan Documents (including those under Hedge Agreements), an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Agent and the Banks, and grants to the Agent and the Banks a security interest in, all such cash, deposit, and account, and the proceeds thereof, as security for such Obligations; and

Set-off.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 10.13 and any branch, Subsidiary, or Affiliate of such Bank or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and apply to the then unpaid balance of all the Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary, or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary, or Affiliate. Such right shall exist whether or not any Bank or the Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any Guaranty or any other security, right or remedy available to any Bank or the Agent; and

Suits, Actions, Proceedings.

If an Event of Default shall occur and be continuing, and whether or not the Agent shall have accelerated the maturity of Committed Loans pursuant to any of the foregoing provisions of this Section 9.2, the Agent or any Bank, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents (other than a Hedge Agreement), including as permitted by applicable Law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Agent or such Bank; and

Application of Proceeds.

From and after the date on which the Agent has taken any action pursuant to this Section 9.2 and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Agent from the exercise of any remedy by the Agent, shall be applied as follows:

(i) first, to reimburse the Agent and the Banks for out-of-pocket costs, expenses, and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Agent or the Banks in connection with collection of any Obligations of any of the Loan Parties under any of the Loan Documents;

(ii) second, to the repayment of all Indebtedness then due and unpaid of the Loan Parties to the Banks incurred under this Agreement or any of the other Loan Documents, whether of principal, interest, fees, expenses, or otherwise, in such manner as the Agent may determine in its discretion;

(iii) third, to fund any cash collateral account with respect to Letters of Credit as provided for herein; and

(iv) the balance, if any, as required by Law.

Other Rights and Remedies.

In addition to all of the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Agent shall have all of the rights and remedies under applicable Law, all of which rights and remedies shall be cumulative and nonexclusive, to the extent permitted by Law. The Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Agent and the Banks under the Loan Documents (other than a Hedge Agreement) or applicable law.

Right of Competitive Bid Loan Banks.

If any Event of Default shall occur and be continuing, the Banks which have any Bid Loans then outstanding to the Borrower (the "Bid Loan Banks") shall not be entitled to accelerate payment of the Bid Loans or to exercise any right or remedy related to the collection of the Bid Loans until the Commitments shall be terminated hereunder pursuant to Section 9.2. Upon such a termination of the Commitments: (i) references to Revolving Credit Loans in Section 9.2 shall be deemed to apply also to the Bid Loans and the Bid Loan Banks shall be entitled to all enforcement rights given to a holder of a Revolving Credit Loan in Section 9.2, and (ii) the definition of Required Banks shall be changed as provided in Section 1.1

so that each Bank shall have voting rights hereunder in proportion to its share of the total Loans outstanding.

THE AGENT

Appointment.

Each Bank hereby irrevocably designates, appoints, and authorizes ABN AMRO to act as Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents (other than any Hedge Agreement). Each Bank hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents (other than any Hedge Agreement) and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. ABN AMRO Bank N.V. agrees to act as the Agent on behalf of the Banks to the extent provided in this Agreement.

Delegation of Duties.

The Agent may perform any of its duties hereunder by or through agents or employees (provided such delegation does not constitute a relinquishment of its duties as Agent) and, subject to Sections 10.5 and 10.6, shall be entitled to engage and pay for the advice or services of any attorneys, accountants, or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

Nature of Duties; Independent Credit Investigation.

The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, express or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the 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. Each Bank expressly acknowledges (i) that the Agent has not made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

Actions in Discretion of Agent; Instructions From the Banks.

The Agent agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Agent's rights, powers, or discretion herein, provided that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 10.6. Subject to the provisions of Section 10.6, no Bank shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks, or in the absence of such instructions, in the absolute discretion of the Agent.

Reimbursement and Indemnification of Agent by the Borrower.

The Borrower unconditionally agrees to pay or reimburse the Agent and hold the Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses, and disbursements, including fees and expenses of counsel (including the allocated costs of staff counsel), appraisers, and environmental consultants, incurred by the Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation, and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers, or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise, or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection, or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Agent hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements if the same results from the Agent's gross negligence or willful misconduct, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld.

Exculpatory Provisions; Limitation of Liability.

Neither the Agent nor any of its directors, officers, employees, agents, attorneys, or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity, or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report, or statement

herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Loan Parties, any Bank, the Agent, or any of their respective Subsidiaries against the Agent, any Bank, or any of their respective directors, officers, employees, agents, attorneys, or Affiliates, or any of them, for any special, indirect, or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of, or related to any Loan Document or the transactions contemplated hereby or any act, omission, or event occurring in connection therewith, including the negotiation, documentation, administration, or collection of the Loans, and each of the Loan Parties (for itself and on behalf of each of its Subsidiaries), the Agent and each Bank hereby waive, release and agree never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or suspected to exist in its favor. Each Bank agrees that, except for notices, reports, and other documents expressly required to be furnished to the Banks by the Agent hereunder or given to the Agent for the account of or with copies for the Banks, the Agent and each of its directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects, or creditworthiness of the Loan Parties which may come into the possession of the Agent or any of its directors, officers, employees, agents, attorneys, or Affiliates.

Reimbursement and Indemnification of Agent by Banks.

Each Bank agrees to reimburse and indemnify the Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Agent hereunder or thereunder, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements (a) if the same results from the Agent's gross negligence or willful misconduct, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Agent in connection with the Agent's periodic audit of the Loan Parties' books, records, and business properties.

Reliance by Agent.

The Agent shall be entitled to rely upon any writing, telegram, telex, or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order, or other document or

conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

Notice of Default.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless the Agent has received written notice from a Bank or the Borrower referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

Notices.

The Agent shall promptly send to each Bank a copy of all notices received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents (other than a Hedge Agreement) promptly upon receipt thereof. The Agent shall promptly notify the Borrower and the other Banks of each change in the Base Rate and the effective date thereof.

Banks in Their Individual Capacities.

With respect to its Revolving Credit Commitment, the Revolving Credit Loans, the Convertible Revolving Credit Loan Commitment, and the Convertible Revolving Credit Loan and any Bid Loans made by it and any other rights and powers given to it as a Bank hereunder or under any of the other Loan Documents, the Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Agent, and the term "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. ABN AMRO Bank and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking or trust business with, the Loan Parties and their Affiliates, in the case of the Agent, as though it were not acting as Agent hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder. The Banks acknowledge that, pursuant to such activities, the Agent or its Affiliates may (i) receive information regarding the Loan Parties (including information that may be subject to confidentiality obligations in favor of the Loan Parties) and acknowledge that the Agent shall be under no obligation to provide such information to them, and (ii) accept fees and other consideration from the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

Holders of Notes.

The Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority, or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, or assignee of such Note or of any Note or Notes issued in exchange therefor.

Equalization of Banks.

The Banks and the holders of any participations in any Commitments or Loans or other rights or obligations of a Bank hereunder agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim, or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments on the Loans, except as otherwise provided in Section 4.4.3, 5.4.2 or 5.6 or 5.7. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount of the Loans, provided that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

Successor Agent.

The Agent (i) may resign as Agent or (ii) shall resign if such resignation is requested by the Required Banks (if the Agent is a Bank, the Agent's Loans and its Commitment shall be considered in determining whether the Required Banks have requested such resignation) or required by Section 5.4.2, in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. If the Agent shall resign under this Agreement, then either (a) the Required Banks shall appoint from among the Banks a successor agent for the Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld, or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following the Agent's notice to the Banks of its resignation, then the Agent shall appoint, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor agent who shall serve as Agent until such time as the Required Banks appoint and the Borrower consents to the appointment of a successor agent. Upon its appointment pursuant to either clause (a) or (b) above, such successor agent shall succeed to the rights, powers, and duties of the Agent, and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers, and duties as Agent shall be terminated without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the resignation of any Agent hereunder, the provisions of this Section 10 shall inure to the benefit of such former Agent and such former Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Agent under this Agreement.

Agent's Fee.

The Borrower shall pay to the Agent a nonrefundable fee (the "Bid Loan Processing Fee") in connection with processing Bid Loans, a nonrefundable fee (the "Agent's Fee") for Agent's services hereunder, and such other fees and expenses, pursuant to the terms of correspondence, dated as of November 9, 1999 (the "Agent's Letter"), between the Borrower and Agent, as amended from time to time.

Availability of Funds.

The Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Agent unless the Agent shall have been notified by such Bank on or before the later of (i) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan, or (ii) two (2) hours before the time on which the Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this Section 10.16 or using proceeds deposited with the Agent by the Banks and whether such funding occurs before or after the time on which Banks are required to deposit the proceeds of such Loan with the Agent). The Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

Calculations.

In the absence of gross negligence or willful misconduct, the Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Loans, fees, or any other amounts due to the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Agent, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

Beneficiaries.

Except as expressly provided herein, the provisions of this Section 10 are solely for the benefit of the Agent and the Banks, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

MISCELLANEOUS

Modifications, Amendments, or Waivers.

With the written consent of the Required Banks, the Agent, acting on behalf of all the Banks, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document (other than a Hedge Agreement) or the rights of the Banks or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations (other than with respect to Obligations arising out of a Hedge Agreement) of the Loan Parties hereunder or thereunder. Any such agreement, waiver, or consent made with such written consent shall be effective to bind all the Banks and the Loan Parties; provided, that, without the written consent of all the Banks, no such agreement, waiver, or consent may be made which will:

Increase of Commitment; Extension of Expiration Date.

Increase the amount of the Revolving Credit Commitment or Convertible Revolving Credit Commitment, or Swingline Commitment of any Bank hereunder or extend the Revolving Credit Expiration Date except pursuant to the terms of Section 2.10.2 or the Convertible Revolving Credit Expiration Date, except pursuant to the terms of Section 3.4 hereof;

Extension of Payment; Reduction of Principal, Interest or Fees; Modification of Terms of Payment.

Whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan, Reimbursement Obligation, Letter of Credit Borrowings, any fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Commitment Fee or any other fee payable to any Bank, or otherwise affect in a manner adverse to any Bank, the terms of payment of the principal of or interest of any Loan, the Commitment Fee or any other fee payable to any Bank;

Release of Guarantor or Security.

Release any Guarantor from its Obligations under the Guaranty Agreement or any other material security for any of the Loan Parties' Obligations; or

Miscellaneous.

Amend Section 5.2, 10.6 or 10.13 or this Section 11.1, alter any provision regarding the pro rata treatment of the Banks, change the definition of Required Banks, or change any requirement providing for the Banks or the Required Banks to authorize the taking of any action hereunder;

provided, further, that no agreement, waiver or consent which would modify the interests, rights or obligations of the Agent in its capacity as Agent or as the issuer of Letters of Credit shall be effective without the written consent of the Agent.

No Implied Waivers; Cumulative Remedies; Writing Required.

No course of dealing and no delay or failure of the Agent or any Bank in exercising any right, power, remedy, or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy, or privilege preclude any further exercise thereof or of any other right, power, remedy, or privilege. The rights and remedies of the Agent and the Banks under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent, or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

Reimbursement and Indemnification of Banks by the Borrower; Taxes.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Agent, as to which the Borrower's Obligations are set forth in Section 10.5) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses, and disbursements (including fees and expenses of counsel (including allocated costs of staff counsel) for

each Bank except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers, or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise, or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection, or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks and the Agent if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Agent and the Banks harmless from and against any and all present or future claims, liabilities, or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees, or impositions.

Holidays.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Convertible Revolving Credit Expiration Date or the Revolving Credit Expiration Date, as applicable, if the relevant expiration date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day (except as provided in Section 4.2 with respect to Interest Periods under the Euro-Rate Option), and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

Funding by Branch, Subsidiary, or Affiliate.

Notional Funding.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary, or Affiliate (which for the purposes of this Section 11.5 shall mean any

corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained, or funded any Loan to which the Euro-Rate Option applies at any time, provided that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section 5.6 than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining, or funding the Loans or any sources of funding actually used by or available to such Bank.

Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to the terms hereof, provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of any Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any payment under this Agreement for which its respective Granting Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees that, prior to the date that is one year and one day after the later of (i) the payment in full of all outstanding senior indebtedness of the relevant SPC, (ii) the payment in full of all Loans, Reimbursement Obligations, and Letter of Credit Borrowings, and (iii) the termination of all Commitments and the expiration or termination of all Letters of Credit, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary contained in this Section 11.5.1 (other than the proviso set forth directly below in this Section 11.5.1), any SPC may (i) with notice to, but without the prior written consent of, the Borrower or Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC; provided, however, that in no event may any financial information provided by Borrower or any other Loan Party under Section 8.3 be provided by any SPC to any other Person. In no event shall the Borrower be obligated to pay to an SPC that has made a Loan any greater amount than the Borrower would have been obligated to pay under this Agreement if the Granting Lender had made such Loan. Notwithstanding any term or condition hereof, no SPC, unless it shall have become a Bank hereunder in accordance with the terms of Section 11.11, shall be a party hereto or have any right to vote or give or withhold its consent under this Agreement.

Actual Funding.

Each Bank shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary, or Affiliate of such Bank to make or maintain such Loan subject to the last sentence of this Section 11.5.2. If any Bank causes a branch, Subsidiary, or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary, or Affiliate to make or maintain any part of the Loans hereunder cause such Bank or such branch, Subsidiary, or Affiliate to incur any cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 5.6) which would otherwise not be incurred.

Notices.

All notices, requests, demands, directions, and other communications (as used in this Section 11.6, collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be by telephone or in writing (including telex or facsimile communication) unless otherwise expressly permitted hereunder and shall be delivered or sent by telex or facsimile to the respective parties at the addresses and numbers set forth under their respective names on Schedule 1.1(B) hereof or in accordance with any subsequent unrevoked written direction from any party to the others. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of telex or facsimile, when received, (b) in the case of hand-delivered notice, when hand-delivered, (c) in the case of telephone, when telephoned, provided, however, that in order to be effective, telephonic notices must be confirmed in writing no later than the next day by letter, facsimile, or telex, (d) if given by mail, four (4) days after such communication is deposited in the mail with first-class postage prepaid, return receipt requested, and (e) if given by any other means (including by air courier), when delivered; provided, that notices to the Agent shall not be effective until received. Any Bank giving any notice to any Loan Party shall simultaneously send a copy thereof to the Agent, and the Agent shall promptly notify the other Banks of the receipt by it of any such notice.

Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Governing Law.

Each Letter of Credit and Section 2.9 shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles, and the balance of this Agreement shall be deemed to be a contract under the Laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

Prior Understanding.

This Agreement and the other Loan Documents (other than a Hedge Agreement) supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

Duration; Survival.

All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Agent or the Banks, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Loan Parties contained in Sections 8.1, 8.2, and 8.3 herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses, and indemnification, including those set forth in Section 5 and Sections 10.5, 10.7, and 11.3, shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

Successors and Assigns.

(i) This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Agent, the Loan Parties, and their respective successors and assigns, except that none of the Loan Parties may assign or transfer any of its rights and Obligations hereunder or any interest herein. Each Bank may, at its own cost, make assignments of or sell participations in all or any part of its Revolving Credit Commitments and Convertible Revolving Credit Commitments and the Loans made by it to one or more banks or other entities, subject to the consent of the Borrower and the Agent with respect to any assignee or participant, such consent not to be unreasonably withheld provided that (1) no consent of the Borrower shall be required (A) if an Event of Default exists and is continuing, or (B) in the case of an assignment by a Bank to an Affiliate of such Bank or to another Bank, (2) any assignment by a Bank to a Person other than an Affiliate of such Bank may not be made in amounts less than the lesser of \$5,000,000 or the amount of the assigning Bank's Commitment, (3) a Bank may assign an interest or sell a participation in less than 100% of its Commitments, Committed Loans, or Bid Loans, provided that except as set forth in Section 3.4, such Bank sells an equal percentage interest or participation in each of its Revolving Credit Commitment, Convertible Revolving Credit Commitment, Revolving Credit Loans, and Convertible Revolving Credit Loans, (4) a Bank may assign a Bid Loan to another Person only if it is simultaneously assigning all or a portion of its Commitment to such Person or such Person is already a Bank hereunder, (5) a failure of Borrower to provide any such consent on the basis of a reasonably perceived threat to its trade secrets or of a conflict of interest of a potential assignee shall be deemed to be reasonable, and (6) notwithstanding any term or condition hereof, no Person which has received a participation in any Loan or Commitment hereunder, unless it shall have become a Bank hereunder in accordance with the terms of this Section 11.11, shall be a party hereto or have any right to vote (except as provided in the last sentence of this Section 11.11(i)) or give or withhold its consent under this Agreement. In the case of an assignment, upon receipt by the Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits, and obligations as it would have if it had been a signatory Bank hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Revolving Credit Note or

Convertible Revolving Credit Note subject to such assignment, the Borrower shall execute and deliver a new Revolving Credit Note or Convertible Revolving Credit Note to the assignee, if such assignee requests such a Note in an amount equal to the amount of the Revolving Credit Commitment or Convertible Revolving Credit Commitment assumed by it and a new Revolving Credit Note or Convertible Revolving Credit Note to the assigning Bank, if the assigning Bank requests such a Note, in an amount equal to the Revolving Credit Commitment or Convertible Revolving Credit Commitment retained by it hereunder. The assigning Bank shall surrender its Bid Note and the Borrower shall execute and deliver to the assignee (and to the assignor if the assignor is assigning less than all of its Revolving Credit Commitments and Bid Loans) a new Bid Note in the form of Exhibit 1.1(B) as appropriate. Any Bank which assigns any or all of its Commitment or Loans to a Person other than an Affiliate of such Bank shall pay to the Agent a service fee in the amount of \$3,500 for each assignment. In the case of a participation, no Bank shall sell any participation herein without the consent of the Agent and the Borrower, such consent not to be unreasonably withheld and not to be required in the instances stated above in clause (1), the participant shall only have the rights specified in Section 9.2.3 (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 11.1.1, 11.1.2, or 11.1.3), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Bank had not sold such participation.

(ii) Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Agent the form of certificate described in Section 11.17 relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), provided that such assignees and participants agree to be bound by the provisions of Section 11.12.

(iii) Notwithstanding any other provision in this Agreement, any Bank may without the consent of any party hereto (a) at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Note (if any) and the other Loan Documents to any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR Section 203.14 (b) and assign or convey its rights under this Agreement and the other Loan Documents in connection with the securitization of all or any part of its assets; provided, however, that no such pledge or grant of a security interest and no such assignment or conveyance shall release the assignor or transferor Bank of its obligations hereunder or under any other Loan Document and, provided further, that in no event may any financial information provided by Borrower or any other Loan Party under Section 8.3 be provided by any such assignee or transferee to any other Person.

Confidentiality.

General.

The Agent and the Banks each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to

use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to assignees and participants as contemplated by Section 11.11, (iii) to the extent requested by any bank regulatory authority or, with notice to the Borrower, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (v) if the Borrower shall have consented to such disclosure.

Sharing Information With Affiliates of the Banks.

Each Loan Party acknowledges that from time to time financial advisory, investment banking, and other services may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Bank or by one or more Subsidiaries or Affiliates of such Bank and each of the Loan Parties hereby authorizes each Bank to share any information delivered to such Bank by such Loan Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, to any such Subsidiary or Affiliate of such Bank, it being understood that any such Subsidiary or Affiliate of any Bank receiving such information shall be bound by the provisions of Section 11.12.1 as if it were a Bank hereunder. Such authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

Counterparts.

This Agreement may be executed by different parties hereto on any number of separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

Agent's or Bank's Consent.

Whenever the Agent's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition, or event, the Agent and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money, or any other matter.

Exceptions.

The representations, warranties, and covenants contained herein shall be independent of each other, and no exception to any representation, warranty, or covenant shall be deemed to be an exception to any other representation, warranty, or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

CONSENT TO FORUM; WAIVER OF JURY TRIAL.

EACH LOAN PARTY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH LOAN PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 11.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH LOAN PARTY WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE. EACH LOAN PARTY, THE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, OR THE COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.

Tax Withholding Clause.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224, or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee, or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee, or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee, or participant required to deliver to the Borrower and the Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Bank; (B) each assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Agent in its sole discretion shall permit such assignee or participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Agent). Each Bank, assignee, or participant which so delivers a Form W-8, W-9, 4224, or 1001 further undertakes to deliver to each of the Borrower and the Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee, or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

Joinder of Guarantors.

Any Subsidiary of the Borrower which is required to join this Agreement as a Guarantor pursuant to Section 8.2.10 or Section 8.2.5(ii) shall execute and deliver to the Agent (i) a Guarantor Joinder in substantially the form attached hereto as Exhibit 1.1(G)(1) pursuant to which it shall join as a Guarantor each of the documents to which the Guarantors are parties; and (ii) documents in the forms described in Section 7.1 modified as appropriate to relate to such Subsidiary. The Loan Parties shall deliver such Guarantor Joinder and related documents to the Agent on or before, as applicable, the date of the Permitted Acquisition or a date which is within five (5) Business Days after the date of the filing of such Subsidiary's articles of incorporation if the Subsidiary is a corporation, the date of the filing of its certificate of limited partnership if it is a limited partnership, or the date of its organization if it is an entity other than a limited partnership or corporation.

Amendment and Restatement.

Notwithstanding any provision hereof to the contrary: the Loans available under this Agreement shall, in part, fully refinance all loans, letters of credit, and other amounts outstanding or available under the MotivePower Credit Agreement and the WABCO Credit Agreement; this Agreement amends and restates in its entirety the MotivePower Credit Agreement; all Letters of Credit outstanding under the MotivePower Credit Agreement shall be deemed to be and hereby are Letters of Credit under this Agreement as of the Closing Date and hereafter; all Letters of Credit outstanding under the WABCO Credit Agreement shall be deemed to be and hereby are Letters of Credit under this Agreement as of the Closing Date and hereafter; Loans hereunder may be used to refinance any "Loans" outstanding under (and as such quoted term is defined in) the MotivePower Credit Agreement or the WABCO Credit Agreement, as the case may be.

Agent Titles.

Each of the parties hereto acknowledge and agree that the titles of Documentation Agent, Administrative Agent, and Co-Syndication Agent are honorary and do not imply or impose any duty or obligation of any nature on any party having any such title.

[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.

BORROWER:

WESTINGHOUSE AIR BRAKE COMPANY

By: /s/ A. GARCIA-TUNON (SEAL)

Name:
Title:

GUARANTORS:

RAILROAD FRICTION PRODUCTS CORPORATION;
RFI PROPERTIES, INC.; RFPC HOLDING
CORP.; STONE SAFETY SERVICE
CORPORATION; VAPOR CORPORATION; BOISE
LOCOMOTIVE COMPANY; MOTIVEPOWER
INVESTMENTS LIMITED; MOTIVEPOWER USA,
INC.; YOUNG RADIATOR COMPANY; MOTOR
COILS MANUFACTURING COMPANY; MICROPHOR
COMPANY; MP INTERNATIONAL I, INC.; MP
INTERNATIONAL II, INC.; MOTIVEPOWER
CANADA CORPORATION; GATEWAY REBUILD
COMPANY

By: /s/ ROBERT J. BROOKS (SEAL)

Name:
Title: Vice President of each of the
above listed companies

TECHNICAL SERVICE & MARKETING L.L.C.

By: /s/ ROBERT J. BROOKS

Name:
Title:

BANKS:

ABN AMRO BANK N.V., individually and as
Bookrunner and Co-Syndication Agent

By: /s/ ROY D. HASBROOK

Name:
Title:

By: /s/ LOUIS K. McLINDEN, JR.

Name:
Title:

MELLON BANK, N.A., individually and as
Documentation Agent

By: /s/ MARK J. JOHNSTON

Name:

Title:

THE CHASE MANHATTAN BANK, individually
and as Administrative Agent

By: /s/ JOHN MALONE

Name:

Title:

NATIONAL CITY BANK OF PENNSYLVANIA

By: /s/ LORI B. SHURE

Name:

Title:

PNC BANK, NATIONAL ASSOCIATION

By: /s/ WILLIAM V. ARMITAGE

Name:

Title:

BANKBOSTON, N.A.

By: /s/ MARK FAWCETT

Name:

Title:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ SARAH L. HEMMER

Name:

Title:

THE BANK OF NEW YORK, individually and
as Co-Syndication Agent

By: /s/ WALTER C. PARELLI

Name:

Title:

BANK ONE, MICHIGAN

By: /s/ GLENN A. CURRIN

Name:

Title:

FIRST UNION NATIONAL BANK

By: /s/ BEVERLY J. COLLER

Name:

Title:

DG BANK
DEUTSCHE GENOSSENSCHAFTSBANK AG

By: /s/ WILLIAM D. CASEY

Name:
Title:

By: /s/ ROB T. JOKMAL

Name:
Title:

THE BANK OF NOVA SCOTIA

By: /s/ F. C. R. ASHBY

Name:

Title:

BANK OF TOKYO-MITSUBISHI TRUST CO.

By: /s/ MARK O'CONNER

Name:

Title:

CREDIT AGRICOLE INDOSUEZ

By: /s/ RAYMOND A. FALKENBERG

Name:
Title:

By: /s/ DAVID BOUHL

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ S. R. LUPSTEIN

Name:

Title:

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CREDIT SUISSE FIRST BOSTON

By: /s/ JEFFREY B. ULMER

Name:
Title:

By: /s/ DOUGLAS E. MAHER

Name:
Title:

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ BERTRAM TANG

Name:

Title:

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ CHRISTOPHER KANIA

Name:

Title:

SUNTRUST BANK, CENTRAL FLORIDA, N.A.

By: /s/ SHELLEY M. BROWNE

Name:

Title:

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ISSUING BANK:

CHASE MANHATTAN BANK DELAWARE

By: /s/ MICHAEL P. HANDAGO

Name:

Title:

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

2000 STOCK INCENTIVE PLAN
(AS AMENDED THROUGH MARCH 22, 2000)

The purposes of the 2000 Stock Incentive Plan as amended (the "Plan"), are to encourage eligible employees of Westinghouse Air Brake Technologies Corporation (the "Corporation") and its Subsidiaries to increase their efforts to make the Corporation and each Subsidiary more successful, to provide an additional inducement for such employees to remain with the Corporation or a Subsidiary, to reward such employees by providing an opportunity to acquire shares of the Common Stock, par value \$0.01 per share, of the Corporation (the "Common Stock") on favorable terms and to provide a means through which the Corporation may attract able persons to enter the employ of the Corporation or one of its Subsidiaries. For the purposes of the Plan, the term "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing at least fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

SECTION 1
ADMINISTRATION

The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors of the Corporation (the "Board") and consisting of not less than two members of the Board, each of whom at the time of appointment to the Committee and at all times during service as a member of the Committee shall be (i) "Non-Employee Directors" as then defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor Rule and (ii) if so determined by the Board, an "outside director" under Section 162(m)(4)(C) of the Internal Revenue Code of 1986 (the "Code"), or any successor provision.

The Committee shall interpret the Plan and prescribe such rules, regulations and procedures in connection with the operation of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. All questions of interpretation and application of the Plan, or as to grants or awards under the Plan, shall be subject to the determination of the Committee which shall be final and binding.

The Committee shall keep records of action taken. A majority of the Committee shall constitute a quorum at any meeting, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members of the Committee, shall be the acts of the Committee.

SECTION 2
ELIGIBILITY

Those key employees of the Corporation or any Subsidiary (including, but not limited to, covered employees as defined in Section 162(m)(3) of the Code, or any successor provision) who share responsibility for the management, growth or protection of the business of the Corporation or any Subsidiary shall be eligible to be granted stock options (with or without cash payment rights) and to receive awards of restricted shares and performance units as described herein.

Subject to the provisions of the Plan, the Committee shall have full and final authority, in its discretion, to grant stock options (with or without cash payment rights) and to award restricted shares and performance units as described herein and to determine the employees to whom any such grant or award shall be made and the number of shares to be covered thereby. In determining the eligibility of any employee, as well

as in determining the number of shares or units covered by each grant or award and whether cash payment rights shall be granted in conjunction with a stock option, the Committee shall consider the position and the responsibilities of the employee being considered, the nature and value to the Corporation or a Subsidiary of his or her services, his or her present and/or potential contribution to the success of the Corporation or a Subsidiary and such other factors as the Committee may deem relevant.

SECTION 3 SHARES AVAILABLE UNDER THE PLAN

The aggregate number of shares of the Common Stock that may be issued or delivered and as to which grants or awards may be made under the Plan is 3,600,000 shares, subject to adjustment and substitution as set forth in Section 7. If any stock option granted under the Plan is canceled by mutual consent or terminates or expires for any reason without having been exercised in full, the number of shares subject thereto shall again be available for purposes of the Plan. If shares of Common Stock are forfeited to the Corporation pursuant to the restrictions applicable to restricted shares awarded under the Plan, the shares so forfeited shall again be available for purposes of the Plan. To the extent any award of performance units is not earned or is paid in cash rather than shares, the number of shares covered thereby shall again be available for purposes of the Plan.

The shares which may be issued or delivered under the Plan may be either authorized but unissued shares or treasury shares or partly each, as shall be determined from time to time by the Board.

SECTION 4 GRANT OF STOCK OPTIONS AND CASH PAYMENT RIGHTS AND AWARD OF RESTRICTED SHARES AND PERFORMANCE UNITS

The Committee shall have authority, in its discretion, (i) to grant "incentive stock options" pursuant to Section 422 of the Code, to grant "nonstatutory stock options" (i.e., stock options which do not qualify under Sections 422 or 423 of the Code) or to grant both types of stock options (but not in tandem), (ii) to award restricted shares and (iii) to award performance units, all as provided herein. The Committee also shall have the authority, in its discretion, to grant cash payment rights in conjunction with nonstatutory stock options with the effect provided in Section 5(D). Cash payment rights may not be granted in conjunction with incentive stock options. Cash payment rights granted in conjunction with a nonstatutory stock option may be granted either at the time the stock option is granted or at any time thereafter during the term of the stock option.

During the duration of the Plan, the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any one employee is 800,000 shares, subject to adjustment and substitution as set forth in Section 7. For the purposes of this limitation, any adjustment or substitution made pursuant to Section 7 with respect to the maximum number of shares set forth in the preceding sentence shall also be made with respect to any shares subject to stock options or share awards previously granted under the Plan to such employee.

Notwithstanding any other provision contained in the Plan or in any agreement referred to in Section 5(H), but subject to the possible exercise of the Committee's discretion contemplated in the last sentence of this paragraph, the aggregate fair market value, determined as provided in Section 5(I) on the date of grant, of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year under all plans of the corporation employing such employee, any parent or subsidiary corporation of such corporation and any predecessor corporation of any such corporation shall not exceed \$100,000. If the date on which one or more of such incentive stock options could first be exercised would be accelerated pursuant to any provision of the Plan or any stock option agreement, and the acceleration of such exercise date would result in a violation of the limitation set forth in the preceding sentence, then, notwithstanding any such provision, but subject to the provisions of the next succeeding sentence, the exercise dates of such incentive stock options shall be accelerated only to the date or dates, if any, that do not result in a violation of such limitation and, in such event, the exercise dates of the incentive stock options with the lowest

option prices shall be accelerated to the earliest such dates. The Committee may, in its discretion, authorize the acceleration of the exercise date of one or more incentive stock options even if such acceleration would violate the \$100,000 limitation set forth in the first sentence of this paragraph and even if such incentive stock options are thereby converted in whole or in part to nonstatutory stock options.

SECTION 5
TERMS AND CONDITIONS OF
STOCK OPTIONS AND CASH PAYMENT RIGHTS

Stock options and cash payment rights granted under the Plan shall be subject to the following terms and conditions:

(A) The purchase price at which each stock option may be exercised (the "option price") shall be such price as the Committee, in its discretion, shall determine, but shall not be less than one hundred percent (100%) of the fair market value per share of the Common Stock covered by the stock option on the date of grant, except that in the case of an incentive stock option granted to an employee who, immediately prior to such grant, owns stock possessing more than (10%) of the total combined voting power of all classes of stock of the Corporation or any Subsidiary (a "Ten Percent Employee"), the option price shall be one hundred ten percent (110%) of such fair market value on the date of grant; provided, however, that with respect to employees who become employees of the Corporation or any Subsidiary as a result of the acquisition by the Corporation or any Subsidiary of the stock or assets of another entity or business (an "Acquisition"), and who are not deemed to be reporting persons of the Corporation or any Subsidiary for purposes of Section 16(b) of the 1934 Act, the option price with respect to nonstatutory stock options granted to such persons within 12 months of such Acquisition shall be such price as the Committee, in its discretion, shall determine, which may be less than the fair market value per share of the Common Stock on the date of grant. For purposes of this Section 5(A), the fair market value of the Common Stock shall be determined as provided in Section 5(I). For purposes of this Section 5(A), an individual (i) shall be considered as owning not only shares of stock owned individually but also all shares of stock that are at the time owned, directly or indirectly, by or for the spouse, ancestors, lineal descendants and brothers and sisters (whether by the whole or half blood) of such individual and (ii) shall be considered as owning proportionately any shares owned, directly or indirectly, by or for any corporation, partnership, estate or trust in which such individual is a stockholder, partner or beneficiary.

(B) The option price for each stock option shall be payable in cash in United States dollars (including check, bank draft or money order); provided, however, that in lieu of cash the person exercising the stock option may (if authorized by the Committee at the time of grant in the case of an incentive stock option, or at any time in the case of a nonstatutory stock option) pay the option price in whole or in part by delivering to the Corporation shares of the Common Stock having a fair market value on the date of exercise of the stock option, determined as provided in Section 5(I), equal to the option price for the shares being purchased, except that (i) any portion of the option price representing a fraction of a share shall in any event be paid in cash and (ii) no shares of the Common Stock which have been held for less than six months may be delivered in payment of the option price of a stock option. Delivery of shares, if authorized, may also be accomplished through the effective transfer to the Corporation of shares held by a broker or other agent. The Corporation will also cooperate with any person exercising a stock option who participates in a cashless exercise program of a broker or other agent under which all or part of the shares received upon exercise of the stock option are sold through the broker or other agent or under which the broker or other agent makes a loan to such person. Notwithstanding the foregoing, unless the Committee, in its discretion, shall otherwise determine at the time of grant in the case of an incentive stock option, or at any time in the case of a nonstatutory stock option, the exercise of the stock option shall not be deemed to occur and no shares of Common Stock will be issued or delivered by the Corporation upon exercise of the stock option until the Corporation has received payment of the option price in full. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised. Payment of the option price with shares shall not increase the number of shares of the Common Stock which may be issued or delivered under the Plan as provided in Section 3.

(C) Unless the Committee, in its discretion, shall otherwise determine, stock options shall be exercisable by a grantee during employment commencing on the date of grant. No stock option shall be exercisable after the expiration of ten years (five years in the case of an incentive stock option granted to a Ten Percent Employee) from the date of grant. Unless the Committee, in its discretion, shall otherwise determine, a stock option to the extent exercisable at any time may be exercised in whole or in part.

(D) Cash payment rights granted in conjunction with a nonstatutory stock option shall entitle the person who is entitled to exercise the stock option, upon exercise of the stock option or any portion thereof, to receive cash from the Corporation (in addition to the shares to be received upon exercise of the stock option) equal to such percentage as the Committee, in its discretion, shall determine not greater than one hundred percent (100%) of the excess of the fair market value of a share of the Common Stock on the date of exercise of the stock option over the option price per share of the stock option times the number of shares covered by the stock option, or portion thereof, which is exercised. Payment of the cash provided for in this Section 5(D) shall be made by the Corporation as soon as practicable after the time the amount payable is determined. For purposes of this Section 5(D), the fair market value of the Common Stock shall be determined as provided in Section 5(I).

(E) (i) No stock option shall be transferable by the grantee otherwise than by Will, or if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death and (ii) all stock options shall be exercisable during the lifetime of the grantee only by the grantee.

(F) Subject to the provisions of Section 4 in the case of incentive stock options, unless the Committee, in its discretion, shall otherwise determine:

(i) If the employment of a grantee who is not disabled within the meaning of Section 422(c)(6) of the Code (a "Disabled Grantee") is voluntarily terminated with the consent of the Corporation or a Subsidiary or a grantee retires under any retirement plan of the Corporation or a Subsidiary, any then outstanding incentive stock option held by such grantee shall be exercisable by the grantee (but only to the extent exercisable by the grantee immediately prior to the termination of employment) at any time prior to the expiration date of such incentive stock option or within three months after the date of termination of employment, whichever is the shorter period;

(ii) If the employment of a grantee who is not a Disabled Grantee is voluntarily terminated with the consent of the Corporation or a Subsidiary or a grantee retires under any retirement plan of the Corporation or a Subsidiary any then outstanding nonstatutory stock option held by such grantee shall be exercisable by the grantee (but only to the extent exercisable by the grantee immediately prior to termination of employment) at any time prior to the expiration date of such nonstatutory stock option or within one year after the date of termination of employment, whichever is the shorter period;

(iii) If the employment of a grantee who is a Disabled Grantee is voluntarily terminated with the consent of the Corporation or a Subsidiary, any then outstanding stock option held by such grantee shall be exercisable by the grantee in full (whether or not so exercisable by the grantee immediately prior to the termination of employment) by the grantee at any time prior to the expiration date of such stock option or within one year after the date of termination of employment, whichever is the shorter period;

(iv) Following the death of a grantee during employment, any outstanding stock option held by the grantee at the time of death shall be exercisable in full (whether or not so exercisable by the grantee immediately prior to the death of the grantee) by the person entitled to do so under the Will of the grantee, or, if the grantee shall fail to make testamentary disposition of the stock option or shall die intestate, by the legal representative of the grantee at any time prior to the expiration date of such stock option or within one year after the date of death of the grantee, whichever is the shorter period;

(v) Following the death of a grantee after termination of employment during a period when a stock option is exercisable, the stock option shall be exercisable by such person entitled to do so under the Will of the grantee or by such legal representative (but only to the extent the stock option was exercisable by the grantee immediately prior to the death of the grantee) at any time prior to the expiration date of such stock option or within one year after the date of death, whichever is the shorter period;

(vi) Unless the exercise period of a stock option following termination of employment has been extended as provided in Section 8(C), if the employment of a grantee terminates for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death, all outstanding stock options held by the grantee at the time of such termination of employment shall automatically terminate.

Whether termination of employment is a voluntary termination with the consent of the Corporation or a Subsidiary shall be determined, in its discretion, by the Committee and any such determination by the Committee shall be final and binding.

(G) If a grantee of a stock option (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(C) applies following termination of employment), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee, in its discretion, may immediately terminate all outstanding stock options held by the grantee. Whether a grantee has engaged in any of the activities referred to in the preceding sentence which would cause the outstanding stock options to be terminated shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

(H) All stock options and cash payment rights shall be confirmed by an agreement which shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The agreement confirming a stock option shall specify whether the stock option is an incentive stock option or a nonstatutory stock option. The provisions of such agreements need not be identical.

(I) Fair market value of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which fair market value is to be determined as quoted in The Wall Street Journal (or in such other reliable publication as the Committee, in its discretion, may determine to rely upon): (i) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date, (ii) if the Common Stock is not listed on such exchange the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States securities exchange registered under the 1934 Act on which the Common Stock is listed or (iii) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use ("NASDAQ"). If there are no such sale price quotations for the date as of which fair market value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then fair market value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which fair market value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which fair market value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which fair market value is to be determined, then fair market value of the Common Stock shall be the mean between the

bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which fair market value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this Section 5(I). If the fair market value of the Common Stock cannot be determined on any basis previously set forth in this Section 5(I) for the date as of which fair market value is to be determined, the Committee shall in good faith determine the fair market value of the Common Stock on such date. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

(J) The obligation of the Corporation to issue or deliver shares of the Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

Subject to the foregoing provisions of this Section 5 and the other provisions of the Plan, stock options and cash payment rights granted under the Plan shall be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 5(H), or an amendment thereto.

SECTION 6 RESTRICTED SHARES AND PERFORMANCE UNITS

(A) RESTRICTED SHARES

Awards of restricted shares shall be confirmed by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of the Common Stock awarded, restrictions imposed thereon (including, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber such shares (except as provided below) while such shares are subject to other restrictions imposed under this Section 6(A)), the duration of such restrictions, events (which may, in the discretion of the Committee, include termination of employment and/or performance-based events) the occurrence of which would cause a forfeiture of the restricted shares and such other terms and conditions as shall be determined, in its discretion, by the Committee. The agreement shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The provisions of such agreements need not be identical. Awards of restricted shares shall be effective on the date determined, in its discretion, by the Committee.

Following the award of restricted shares and prior to the lapse or termination of the applicable restrictions, share certificates for the restricted shares shall be issued or delivered in the name of the grantee and deposited with the Corporation in escrow together with related stock powers signed by the grantee. Except as provided in Section 7, the Committee, in its discretion, may determine that dividends and other distributions on the shares held in escrow shall not be paid to the grantee until the lapse or termination of the applicable restrictions. Unless otherwise provided, in its discretion, by the Committee, any such dividends or other distributions shall not bear interest. Upon the lapse or termination of the applicable restrictions (and not before such time), the grantee shall receive the share certificates for the restricted shares (subject to the provisions of Section 10) and unpaid dividends, if any. From the date the award of restricted shares is effective, the grantee shall be a stockholder with respect to all the shares represented by the share certificates and shall have all the rights of a stockholder with respect to all the restricted shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the preceding provisions of this paragraph and the other restrictions imposed by the Committee. If a grantee of restricted shares (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(D) applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or

other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee may immediately declare forfeited all restricted shares held by the grantee as to which the restrictions have not yet lapsed. Whether a grantee has engaged in any of the activities referred to in the preceding sentence which would cause the restricted shares to be forfeited shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

Neither this Section 6(A) nor any other provision of the Plan shall preclude a grantee from transferring or assigning restricted shares to (i) the trustee of a trust that is revocable by such grantee alone, both at the time of the transfer or assignment and at all times thereafter prior to such grantee's death or (ii) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of restricted shares from such trustee to any person other than such grantee shall be permitted only to the extent approved in advance by the Committee in writing, and restricted shares held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement as if such trustee were a party to such agreement.

(B) PERFORMANCE UNITS

The Committee may award performance units which shall be earned by an awardee based on the level of performance over a specified period of time by the Corporation, a Subsidiary or Subsidiaries, any branch, department or other portion thereof or the awardee individually, as determined by the Committee. For the purposes of the grant of performance units, the following definitions shall apply:

(i) "Performance unit" shall mean an award, expressed in dollars or shares of Common Stock, granted to an awardee with respect to a Performance Period. Awards expressed in dollars may be established as fixed dollar amounts, as a percentage of salary, as a percentage of a pool based on earnings of the Corporation, a Subsidiary or Subsidiaries or any branch, department or other portion thereof or in any other manner determined by the Committee in its discretion, provided that the amount thereof shall be capable of being determined as a fixed dollar amount as of the close of the Performance Period.

(ii) "Performance Period" shall mean an accounting period of the Corporation or a Subsidiary of not less than one year, as determined by the Committee in its discretion.

(iii) "Performance Target" shall mean that level of performance established by the Committee which must be met in order for the performance unit to be fully earned. The Performance Target may be expressed in terms of earnings per share, return on assets, asset growth, ratio of capital to assets or such other level or levels of accomplishment by the Corporation, a Subsidiary or Subsidiaries, any division, branch, department or other portion thereof or the awardee individually as may be established or revised from time to time by the Committee.

(iv) "Minimum Target" shall mean a minimal level of performance established by the Committee which must be met before any part of the performance unit is earned. The Minimum Target may be the same as or less than the Performance Target in the discretion of the Committee.

(v) "Performance shares" shall mean shares of Common Stock issued or delivered in payment of earned performance units.

An awardee shall earn the performance unit in full by meeting the Performance Target for the Performance Period. If the Minimum Target has not been attained at the end of the Performance Period, no part of the performance unit shall have been earned by the awardee. If the Minimum Target is attained but the Performance Target is not attained, the portion of the performance unit earned by the awardee shall be determined on the basis of a formula established by the Committee.

At any time prior to the end of a Performance Period, the Committee may adjust downward (but not upward) the Performance Target and/or Minimum Target as a result of major events unforeseen at the time of the award, such as changes in the economy, in the industry or laws affecting the operations of the Corporation or a Subsidiary, or any division, branch, department or other portion thereof, or any other event the Committee determines would have a significant impact upon the probability of attaining the previously established Performance Target.

Payment of earned performance units shall be made to awardees following the close of the Performance Period as soon as practicable after the time the amount payable is determined by the Committee. Payment in respect of earned performance units, whether expressed in dollars or shares, may be made in cash, in shares of Common Stock, or partly in cash and partly in shares of Common Stock, as determined by the Committee at the time of payment. For this purpose, performance units expressed in dollars shall be converted to shares, and performance units expressed in shares shall be converted to dollars, based on the fair market value of the Common Stock, determined as provided in Section 5(I), as of the date the amount payable is determined by the Committee. The Committee, in its discretion, may determine that awardees shall also be entitled to any dividends or other distributions that would have been paid on earned performance shares had the shares been outstanding during the period from the award to the payment of the performance shares. Unless otherwise provided, in its discretion, by the Committee, any such dividends or other distributions shall not bear interest.

Unless otherwise provided in the agreement confirming the award of the performance units, if prior to the close of a Performance Period, the employment of an awardee of performance units is voluntarily terminated with the consent of the Corporation or a Subsidiary, the grantee retires under any retirement plan of the Corporation or a Subsidiary or the grantee dies during employment, the Committee in its discretion may determine to pay to the grantee all or part of the performance unit based upon the extent to which the Committee determines the Performance Target or Minimum Target has been achieved as of the date of termination of employment, retirement or death, the period of time remaining until the end of the Performance Period and/or such other factors as the Committee may deem relevant. If the Committee, in its discretion, determines that all or any part of the performance unit shall be paid, payment shall be made to the awardee or the estate of the awardee as promptly as practicable following such determination and may be made in cash, in shares of Common Stock, or partly in cash and partly in shares of Common Stock, as determined by the Committee at the time of payment. For this purpose, performance units expressed in dollars shall be converted to shares, and performance units expressed in shares shall be converted to dollars, based on the fair market value of the Common Stock, determined as provided in Section 5(I), as of the date the amount payable is determined by the Committee.

Except as otherwise provided in Section 8(E), if the employment of a grantee of an award of performance units terminates prior to the close of the Performance Period for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death, the unearned performance units shall be deemed not to have been earned and such unearned units shall not be paid.

Whether termination of employment is a voluntary termination with the consent of the Corporation or a Subsidiary shall be determined, in its discretion, by the Committee and any such determination by the Committee shall be final and binding.

If an awardee of performance units (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries (provided, however, that this clause shall not apply if Section 8(E) applies), (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries or (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, the Committee may immediately cancel the award. Whether an awardee has engaged in any of the activities referred to the preceding sentence which would cause the award of

performance units to be canceled shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

Performance unit awards shall be evidenced by a written agreement in the form prescribed by the Committee which shall set forth the amount or manner of determining the amount of the performance unit, the Performance Period, the Performance Target and any Minimum Target and such other terms and conditions as the Committee in its discretion deems appropriate. Performance unit awards shall be effective only upon execution of the applicable performance unit agreement on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President, and by the awardee.

SECTION 7 ADJUSTMENT AND SUBSTITUTION OF SHARES

If a dividend or other distribution shall be declared upon the Common Stock payable in shares of the Common Stock, (i) the number of shares of the Common Stock subject to any outstanding stock options or performance unit awards, (ii) the number of shares of the Common Stock which may be issued or delivered under the Plan but are not subject to outstanding stock options or performance unit awards and (iii) the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any employee under Section 4 on the date fixed for determining the stockholders entitled to receive such stock dividend or distribution shall be adjusted by adding thereto the number of shares of the Common Stock which would have been distributable thereon if such shares had been outstanding on such date. Shares of Common Stock so distributed with respect to any restricted shares held in escrow shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares on which they were distributed.

If the outstanding shares of Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Corporation or another corporation, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted for each share of the Common Stock subject to any then outstanding stock option or performance unit award, for each share of the Common Stock which may be issued or delivered under the Plan but which is not then subject to any outstanding stock option or performance unit award and for the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any employee under Section 4, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable. Unless otherwise determined by the Committee, in its discretion, any such stock or securities, as well as any cash or other property, into or for which any restricted shares held in escrow shall be changed or exchangeable in any such transaction shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares in respect of which such stock, securities, cash or other property was issued or distributed.

In case of any adjustment or substitution as provided for in the first two paragraphs of this Section 7, the aggregate option price for all shares subject to each then outstanding stock option prior to such adjustment or substitution shall be the aggregate option price for all shares of stock or other securities (including any fraction) to which such shares shall have been adjusted or which shall have been substituted for such shares.

Any new option price per share shall be carried to at least three decimal places with the last decimal place rounded upwards to the nearest whole number.

If the outstanding shares of the Common Stock shall be changed in value by reason of any spin-off, split-off or split-up, or dividend in partial liquidation, dividend in property other than cash or extraordinary distribution to holders of the Common Stock, (i) the Committee shall make any adjustments to any then outstanding stock option which it determines are equitably required to prevent dilution or enlargement of the rights of grantees which would otherwise result from any such transaction, and (ii) unless otherwise determined by the Committee, in its discretion, any stock, securities, cash or other property distributed with respect to any restricted shares held in escrow or for which any restricted shares held in escrow shall be exchanged in any such transaction shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are

applicable to the restricted shares in respect of which such stock, securities, cash or other property was distributed or exchanged.

No adjustment or substitution provided for in this Section 7 shall require the Corporation to issue or sell a fraction of a share or other security. Accordingly, all fractional shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution. Owners of restricted shares held in escrow shall be treated in the same manner as owners of Common Stock not held in escrow with respect to fractional shares created by an adjustment or substitution of shares, except that, unless otherwise determined by the Committee, in its discretion, any cash or other property paid in lieu of a fractional share shall be subject to restrictions similar to those applicable to the restricted shares exchanged therefor.

If any adjustment or substitution provided for in this Section 7 requires the approval of stockholders in order to enable the Corporation to grant incentive stock options or to comply with Section 162(m) of the Code, then no such adjustment or substitution shall be made without the required stockholder approval. Notwithstanding the foregoing, in the case of incentive stock options, if the effect of any such adjustment or substitution would be to cause the stock option to fail to continue to qualify as an incentive stock option or to cause a modification, extension or renewal of such stock option within the meaning of Section 424 of the Code, the Committee may elect that such adjustment or substitution not be made but rather shall use reasonable efforts to effect such other adjustment of each then outstanding stock option as the Committee, in its discretion, shall deem equitable and which will not result in any disqualification, modification, extension or renewal (within the meaning of Section 424 of the Code) of the incentive stock option.

Except as provided in this Section 7, a grantee shall have no rights by reason of any issue or delivery by the Corporation of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

SECTION 8 ADDITIONAL RIGHTS IN CERTAIN EVENTS

(A) DEFINITIONS

For purposes of this Section 8, the following terms shall have the following meanings:

(1) The term "Person" shall be used as that term is used in Sections 13(d) and 14(d) of the 1934 Act as in effect on the effective date of the Plan.

(2) "Beneficial Ownership" shall be determined as provided in Rule 13d-3 under the 1934 Act as in effect on the effective date of the Plan.

(3) A specified percentage of "Voting Power" of a company shall mean such number of the Voting Shares as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and "Voting Shares" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).

(4) "Tender Offer" shall mean a tender offer or exchange offer to acquire securities of the Corporation (other than such an offer made by the Corporation or any Subsidiary), whether or not such offer is approved or opposed by the Board.

(5) "Continuing Directors" shall mean a director of the Corporation who either (a) was a director of the Corporation on the effective date of the Plan or (b) is an individual whose election, or nomination

for election, as a director of the Corporation was approved by a vote of at least two-thirds of the directors then still in office who were Continuing Directors (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Corporation which would be subject to Rule 14a-11 under the 1934 Act, or any successor Rule).

(6) "Designated Person" shall mean (a) the Westinghouse Air Brake Company Employee Stock Ownership Plan and the Westinghouse Air Brake Company Employee Stock Ownership Trust (collectively, the "ESOP") and (b) any Person serving on the Committee administering the ESOP, to the extent that such Person is deemed to have Beneficial Ownership of shares of Common Stock held by the ESOP.

(7) "Section 8 Event" shall mean the date upon which any of the following events occurs:

(a) The Corporation acquires actual knowledge that any Person, other than the Corporation, a Subsidiary, or any employee benefit plan(s) sponsored by the Corporation or a Subsidiary, or any Designated Person, has acquired the Beneficial Ownership, directly or indirectly, of securities of the Corporation entitling such Person to 30% or more of the Voting Power of the Corporation;

(b) A Tender Offer is made to acquire securities of the Corporation entitling the holders thereof to 30% or more of the Voting Power of the Corporation; or

(c) A solicitation subject to Rule 14a-11 under the 1934 Act (or any successor Rule) relating to the election or removal of 50% or more of the members of the Board or any class of the Board shall be made by any person other than the Corporation or less than 51% of the members of the Board (excluding vacant seats) shall be Continuing Directors; or

(d) The stockholders of the Corporation shall approve a merger, consolidation, share exchange, division or sale or other disposition of assets of the Corporation as a result of which the stockholders of the Corporation immediately prior to such transaction shall not hold, directly or indirectly, immediately following such transaction a majority of the Voting Power of (i) in the case of a merger or consolidation, the surviving or resulting corporation, (ii) in the case of a share exchange, the acquiring corporation or (iii) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the transaction, holds more than 30% of the consolidated assets of the Corporation immediately prior to the transaction;

provided, however, that (i) if securities beneficially owned by a grantee are included in determining the Beneficial Ownership of a Person referred to in paragraph 7(a) above, (ii) a grantee is required to be named pursuant to Item 2 of the Schedule 14D-1 (or any similar successor filing requirement) required to be filed by the bidder making a Tender Offer referred to in paragraph 7(b) above or (iii) if a grantee is a "participant" as defined in Instruction 3 to Item 4 of Schedule 14A under the 1934 Act (or any successor Rule) in a solicitation (other than a solicitation by the Corporation) referred to in paragraph 7(c) above, then no Section 8 Event with respect to such grantee shall be deemed to have occurred by reason of such event.

(B) ACCELERATION OF THE EXERCISE DATE OF STOCK OPTIONS

Subject to the provisions of Section 4 in the case of incentive stock options, unless the agreement referred to in Section 5(H), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, in case any "Section 8 Event" occurs all outstanding stock options (other than those held by a person referred to in the proviso to Section 8(A)(7)) shall become immediately and fully exercisable whether or not otherwise exercisable by their terms.

(C) EXTENSION OF THE EXPIRATION DATE OF STOCK OPTIONS

Subject to the provisions of Section 4 in the case of incentive stock options, unless the agreement referred to in Section 5(H), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, all outstanding stock options held by a grantee (other than a grantee referred to in the proviso to Section 8(A)(7)) whose employment with the Corporation or a Subsidiary terminates within

one year of any Section 8 Event for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death which are exercisable shall continue to be exercisable for a period of three years from the date of such termination of employment, but in no event after the expiration date of the stock option.

(D) LAPSE OF RESTRICTIONS ON RESTRICTED SHARE AWARDS

Unless the agreement referred to in Section 6(A), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any "Section 8 Event" occurs prior to the scheduled lapse of all restrictions applicable to restricted share awards under the Plan (other than those held by a person referred to in the proviso to Section 8(A)(7)), all such restrictions shall lapse upon the occurrence of any such "Section 8 Event" regardless of the scheduled lapse of such restrictions.

(E) PAYMENT OF PERFORMANCE UNITS

Unless the agreement referred to in Section 6(B), or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any "Section 8 Event" occurs prior to the end of any Performance Period, all performance units (unless the awardee is a person referred to in the proviso to Section 8(A)(7)) shall be deemed to have been fully earned as of the date of the Section 8 Event, regardless of the attainment or nonattainment of any Performance Target or any Minimum Target and shall be paid to the awardee thereof as promptly as practicable after the Section 8 Event. If the performance unit is not expressed as a fixed amount in dollars or shares, the Committee may provide in the performance unit agreement for the amount to be paid in the case of Section 8 Event.

(F) TAX-RELATED CASH PAYMENTS

Unless the agreements referred to in Sections 5(H), 6(A) or 6(B), or an amendment thereto, shall otherwise provide, if the independent auditors most recently selected by the Board determine that (i) any grant, payment or transfer to or for the benefit of a grantee or awardee under the Plan (whether granted, paid or payable or transferred or transferable pursuant to the Plan or otherwise) (a "Payment") would be deemed to be an "excess parachute payment" for Federal income tax purposes because of Section 280G of the Code, or any successor provision ("Section 280G"), and (ii) any grant, payment or transfer under the Plan to or for the benefit of a grantee or awardee within one year of or following the occurrence of a Section 8 Event constitutes in whole or in part a "parachute payment" under Section 280G (without regard to Section 280G(b)(4)) used in calculating such "excess parachute payment," the Payment will be grossed up through the payment by the Corporation to the grantee or awardee in cash of the amount of any excise tax under Section 4999 of the Code, or any successor provision ("Section 4999"), on the "excess parachute payment" and the amount of any excise tax under Section 4999 and applicable income tax on the total amount of such gross up payment, so that the grantee or awardee will receive the full amount of the Payment after the grantee or awardee has paid any excise tax under Section 4999 of the Code on the "excess parachute payment" and any excise tax under Section 4999 and applicable income tax on the amount of such gross up payment. On the later of the date an "excess parachute payment" is paid to or for the benefit of the grantee or awardee or the date on which it can be first determined that a Payment would be deemed to be an "excess parachute payment," the Corporation shall pay or distribute to or for the benefit of the grantee or awardee the gross up payment due to the grantee or awardee under this Section 8(F).

SECTION 9
EFFECT OF THE PLAN ON THE RIGHTS OF EMPLOYEES AND EMPLOYER

Neither the adoption of the Plan nor any action of the Board or the Committee pursuant to the Plan shall be deemed to give any employee any right to be granted a stock option (with or without cash payment rights) or to be awarded restricted shares or performance units under the Plan. Nothing in the Plan, in any stock option or cash payment rights granted under the Plan or in any award of restricted shares or performance units under the Plan or in any agreement providing for any of the foregoing shall confer any right on any employee to

continue in the employ of the Corporation or any Subsidiary or interfere in any way with the rights of the Corporation or any Subsidiary to terminate the employment of any employee at any time.

SECTION 10 WITHHOLDING

Income, excise or employment taxes may be required to be withheld by the Corporation or a Subsidiary in connection with the grant or exercise of a stock option, upon a "disqualifying disposition" of the shares acquired upon exercise of an incentive stock option, at the time restricted shares are granted or vest or performance units are earned or upon the receipt by the grantee of cash in payment of cash payment rights or dividends on restricted stock which has not vested. Any taxes required to be withheld by the Corporation or any of its Subsidiaries upon the receipt by the grantee of cash in payment of cash payment rights or dividends will be satisfied by the Corporation by withholding the taxes required to be withheld from the cash the grantee would otherwise receive. The Corporation will request that the grantee pay any additional amount required to be withheld directly to the Corporation in cash. If a grantee does not pay any taxes required to be withheld by the Corporation or any of its Subsidiaries within ten days after a request for the payment of such taxes, the Corporation or such Subsidiary may withhold such taxes from any compensation to which the grantee is entitled.

SECTION 11 AMENDMENT

The right to alter and amend the Plan at any time to time and the right to revoke or terminate the Plan are hereby specifically reserved to the Board; provided that no such alteration or amendment of the Plan shall, without stockholder approval, (i) increase the number of shares which may be issued or delivered under the Plan as set forth in Section 3, (ii) increase the maximum number of shares as to which stock options may be granted and as to which shares may be awarded under the Plan to any one employee as set forth in Section 4, (iii) make any changes in the class of employees eligible to receive options or awards under the Plan or (iv) be made if stockholder approval of the amendment is at the time required for grants or awards under the Plan to qualify for the exemption from Section 16(b) of the 1934 Act provided by Rule 16b-3 or by the rules of the New York Stock Exchange or any other stock exchange on which the Common Stock may then be listed. No alteration, amendment, revocation or termination of the Plan shall, without the written consent of the holder of an outstanding grant or award under the Plan, adversely affect the rights of such holder with respect to such outstanding grant or award.

SECTION 12 INTEGRATION

The Plan and any written agreements executed by employees and the Corporation contain all of the understandings and representations between the parties and supersede any prior understandings and agreements entered into between them regarding the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter within which are not fully expressed in the Plan and the agreements.

SECTION 13 EFFECTIVE DATE AND DURATION OF PLAN

The effective date and date of adoption of the Plan shall be January 24, 2000, the date of adoption of the Plan by the Board, and the effective date of the amendments to the Plan adopted by the Board on March 22, 2000 shall be March 22, 2000, provided that such amendments are approved by stockholders at a

meeting duly called, convened and held on or prior to March 21, 2001, at which a quorum representing a majority of the outstanding voting stock of the Corporation is, either in person or by proxy, present and voting on the Plan. No stock option or cash payment rights may be granted and no restricted shares or performance units payable in performance shares may be awarded under the Plan subsequent to January 23, 2010.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
1995 NON-EMPLOYEE DIRECTORS' FEE AND STOCK OPTION PLAN
(AS AMENDED THROUGH JANUARY 24, 2000)

The purposes of the 1995 Non-Employee Directors' Fee and Stock Option Plan (as amended, the "Plan") are to provide for each director of Westinghouse Air Brake Technologies Corporation (the "Company") who is not also an employee of the Company or any of its subsidiaries (a "non-employee Director") the payment of all or a portion of the retainer fees for future services to be performed by such non-employee Director ("Director Fees") as a member of the Board of Directors of the Company (the "Board") in shares of Common Stock of the Company. The purposes of the Plan are further to promote the long-term success of the Company by creating a long-term mutuality of interests between the non-employee Directors and stockholders of the Company, to provide an additional inducement for such non-employee Directors to remain with the Company and to provide a means through which the Company may attract able persons to serve as Directors of the Company.

SECTION 1

ADMINISTRATION

The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors of the Company (the "Board") and consisting of not less than two members of the Board, each of whom at the time of appointment to the Committee and at all times during service as a member of the Committee shall be "Non-Employee Directors" as then defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor Rule. The Committee shall keep records of action taken at its meetings. A majority of the Committee shall constitute a quorum at any meeting, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members of the Committee, shall be the acts of the Committee.

The Committee shall interpret the Plan and prescribe such rules, regulations and procedures in connection with the operations of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. All questions of interpretation and application of the Plan, or as to stock issued or delivered or stock options granted under the Plan, shall be subject to the determination of the Committee, which shall be final and binding.

Notwithstanding the above, the selection of the Directors to whom stock may be issued or delivered for Director Fees or to whom stock options are to be granted, the timing of such issuance or delivery or grants, the number of shares subject to any issuance or delivery or stock option, the exercise price of any stock option, the vesting or forfeiture of any stock option, the periods during which any stock option may be

exercised and the term of any stock option shall be as hereinafter provided, and the Committee shall have no discretion as to such matters.

SECTION 2

SHARES AVAILABLE UNDER THE PLAN

The aggregate number of shares which may be issued or delivered and as to which grants of stock options may be made under the Plan is 500,000 shares of the Common Stock, par value \$.01 per share, of the Company (the "Common Stock"), subject to adjustment and substitution as set forth in Section 6. If any stock option granted under the Plan is canceled by mutual consent, is forfeited or terminates or expires for any reason without having been exercised in full, the number of shares subject thereto shall again be available for purposes of the Plan. The shares which may be issued or delivered under the Plan may be either authorized but unissued shares or reacquired shares or partly each, as shall be determined from time to time by the Board. If the number of shares then remaining available, either for the payment of Directors Fees through the use of shares as described in Section 3 below or for the grant of stock options as described in Section 4 below, is not sufficient for each non-employee Director entitled to receive the same to be issued or delivered the number of shares or to be granted an option for the number of shares, as the case may be, to which such non-employee Director is entitled (or the number of adjusted or substituted shares pursuant to Section 6), then each non-employee Director shall be issued or delivered a number of whole shares or granted an option for a number of whole shares, as the case may be, equal to the number of shares then remaining times a percentage obtained by dividing the number of shares or option shares to which such non-employee Director is entitled by the total number of shares or option shares to be granted to all non-employee Directors at such time, disregarding any fractions of a share.

SECTION 3

PAYMENT OF DIRECTOR FEES

Each non-employee Director shall automatically and without further action by the Board or the Committee receive payment of Director Fees by the issuance or delivery to the non-employee Director of 1,000 shares of Common Stock, payable (i) on the first business day following the initial election of such non-employee Director to the Board after the date of adoption of this Plan by the Board, unless such first election occurs at an annual meeting of the Company or within three months prior to the anniversary date of the prior year's annual meeting, in which case payment of such Director Fees shall only occur under subsection (ii) as hereinafter set forth and (iii) on the first business day following the annual meeting of the stockholders of the Company to the non-employee Directors as of that date.

SECTION 4

GRANT OF STOCK OPTIONS

(a) On January 24, 2000, the date of the amendment to and restatement of this Plan by the Board, each non-employee Director as of that date shall automatically and without further action by the Board or the Committee be granted (subject to the vesting provisions set forth in the next succeeding sentence) a "nonstatutory stock option" (i.e., a stock option which does not qualify under Sections 422 or 423 of the Internal Revenue Code of 1986 (the "Code")) to purchase 5,000 shares of Common Stock, subject to adjustment and substitution as set forth in Section 6. Except as otherwise set forth in section 5(E), the stock options granted under this Section 4(a) shall vest and become exercisable as follows:

- (i) options with respect to 1,666 shares shall vest on the first anniversary of the date of grant;
- (ii) options with respect to 1,667 shares shall vest on the second anniversary of the date of grant; and
- (iii) options with respect to the final 1,667 shares shall vest on the third anniversary of the date of grant.

(b) On the date of his or her first election to the Board after January 24, 2000, each non-employee director shall automatically and without further action by the Board or the Committee be granted a nonstatutory stock option to purchase 5,000 shares of Common Stock, subject to adjustment and substitution as set forth in Section 6. Except as otherwise set forth in section 5(E), the stock options granted under this Section 4(b) shall vest and become exercisable as follows:

- (i) options with respect to 1,666 shares shall vest on the first anniversary of the date of grant;
- (ii) options with respect to 1,667 shares shall vest on the second anniversary of the date of grant; and
- (iii) options with respect to the final 1,667 shares shall vest on the third anniversary of the date of grant.

(c) On the first business day of each calendar year each non-employee Director as of that date shall automatically and without further action by the Board or the Committee be granted a nonstatutory stock option to purchase 2,000 shares of Common Stock, subject to adjustment and substitution as set forth in Section 6. This new Section 4(c) shall replace in its entirety the previous right of Directors to receive option grants to purchase 5,000 shares every three years.

SECTION 5

TERMS AND CONDITIONS OF STOCK OPTIONS

Stock options granted under the Plan shall be subject to the following terms and conditions:

(A) The purchase price at which each stock option may be exercised (the "option price") shall be one hundred percent (100%) of the fair market value per share of the Common Stock on the date of the grant of such stock option pursuant to the Plan, determined as provided in Section 5(G); provided, however, that for any stock option granted under the Plan on or prior to October 31, 1998, the option price shall be the greater of the aforesaid amount or \$14.00 per share.

(B) The option price for each stock option shall be paid in full upon exercise and shall be payable in cash in United States dollars (including check, bank draft or money order), which may include cash forwarded through a broker or other agent-sponsored exercise or financing program; provided, however, that in lieu of such cash the person exercising the stock option may pay the option price in whole or in part by delivering to the Company shares of the Common Stock having a fair market value on the date of exercise of the stock option, determined as provided in Section 5(G), equal to the option price for the shares being purchased; except that (i) any portion of the option price representing a fraction of a share shall in any event be paid in cash and (ii) no shares of the Common Stock which have been held for less than six months may be delivered in payment of the option price of a stock option. If the person exercising a stock option participates in a broker or other agent-sponsored exercise or financing program, the Company will cooperate with all reasonable procedures of the broker or other agent to permit participation by the person exercising the stock option in the exercise or financing program. Notwithstanding any procedure of the broker or other agent-sponsored exercise or financing program, if the option price is paid in cash, the exercise of the stock option shall not be deemed to occur and no shares of the Common Stock will be issued or delivered until the Company has received full payment in cash (including check, bank draft or money order) for the option price from the broker or other agent. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised. Payment of the option price with shares shall not increase the number of shares of the Common Stock which may be issued or delivered under the Plan as provided in Section 2.

(C) Subject to the terms of Section 5(E) providing for earlier or later termination of a stock option, no stock option shall be exercisable after the expiration of ten years from the date of grant. A stock option to the extent exercisable at any time may be exercised in whole or in part.

(D) No stock option shall be transferable by the grantee otherwise than by Will or, if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death. All stock options shall be exercisable during the lifetime of the grantee only by the grantee or the grantee's guardian or legal representative.

(E) If a grantee ceases to be a Director of the Company, any outstanding stock options held by the grantee shall vest and be exercisable and shall terminate, according to the following provisions:

(i) If a grantee ceases to be a non-employee Director of the Company because he is removed without cause or because his term lapses and he is not re-nominated for a new term, any then outstanding stock option held by such grantee shall vest and become exercisable in

accordance with the normal vesting schedule (including vesting upon grant of an option) applicable to such option and shall remain exercisable until the expiration date of such stock option;

(ii) If during his term of office as a non-employee Director a grantee is removed from office for cause, any then outstanding stock option held by such grantee shall be exercisable by the grantee (but only to the extent that such stock option is vested and exercisable by the grantee immediately prior to ceasing to be a non-employee Director) at any time prior to the expiration date of such stock option or within 90 days after the date of removal, whichever is the shorter period;

(iii) Following the death of a grantee whether during service as a non-employee Director of the Company or thereafter, any outstanding stock option held by the grantee at the time of death (whether or not vested and exercisable by the grantee immediately prior to death) shall vest and be exercisable by the person entitled to do so under the Will of the grantee, or, if the grantee shall fail to make testamentary disposition of the stock option or shall die intestate, by the legal representative of the grantee at any time prior to the expiration date of such stock option or within one year after the date of death, whichever is the longer period; and

(iv) If during his or her term of office as a non-employee Director a grantee resigns from the Board during his or her term or is nominated for re-election to the Board but fails to win such re-election, any then outstanding stock option held by such grantee shall be exercisable by the grantee (but only to the extent that such stock option is vested and exercisable by the grantee immediately prior to ceasing to be a non-employee Director) at any time prior to the expiration date of such stock option.

(F) All stock options shall be confirmed by an agreement, or an amendment thereto, which shall be executed on behalf of the Company by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee.

(G) Fair market value of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which fair market value is to be determined as quoted in The Wall Street Journal (or in such other reliable publication as the Committee, in its discretion, may determine to rely upon): (a) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date, (b) if the Common Stock is not listed on such exchange, the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States securities exchange registered under the Securities Exchange Act of 1934 (the "1934 Act") on which the Common Stock is listed, or (c) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use ("NASDAQ"). If there are no such sale price quotations for the date as of which fair market value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then fair market value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which fair market value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of

which fair market value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which fair market value is to be determined, then fair market value of the Common Stock shall be the mean between the bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which fair market value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this Section 5(G). If the fair market value of the Common Stock cannot be determined on the basis previously set forth in this Section 5(G) for the date as of which fair market value is to be determined, the Committee shall in good faith determine the fair market value of the Common Stock on such date. Fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

(H) The obligation of the Company to issue or deliver shares of the Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Company, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

Subject to the foregoing provisions of this Section 5 and the other provisions of the Plan, any stock option granted under the Plan may be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 5(F), or an amendment thereto.

SECTION 6

ADJUSTMENT AND SUBSTITUTION OF SHARES

If a dividend or other distribution payable in shares of the Common Stock shall be declared upon the Common Stock, each number of shares of the Common Stock set forth in Sections 3 and 4, the number of shares of the Common Stock then subject to any outstanding stock options and the number of shares of the Common Stock which may be issued or delivered under the Plan but are not then subject to outstanding stock options shall be adjusted by adding thereto the number of shares of the Common Stock which would have been distributable thereon if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend or distribution.

If the outstanding shares of the Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Company or another corporation, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted for each share of the Common Stock set forth in Sections 3 and 4, for each share of the Common Stock subject to any then outstanding stock option, and for each share of the Common Stock which may be issued or delivered under the Plan but which is not then subject to any outstanding stock option, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable.

In case of any adjustment or substitution as provided for in this Section 6, the aggregate option price for all shares subject to each then outstanding stock option prior to such adjustment or substitution shall be the aggregate option price for all shares of stock or other securities (including any fraction) to which such shares shall have been adjusted or which shall have been substituted for such shares. Any new option price per share shall be carried to at least three decimal places with the last decimal place rounded upwards to the nearest whole number.

If the outstanding shares of Common Stock shall be changed in value by reason of spin-off, split-off, or dividend in partial liquidation, dividend in property other than cash or extraordinary distribution to holders of the Common Stock, the Committee shall make any adjustments to any then outstanding stock option which it determines are equitably required to prevent dilution or enlargement of the rights of grantees which would otherwise result from any such transaction.

No adjustment or substitution provided for in this Section 6 shall require the Company to issue or deliver or sell a fraction of a share or other security. Accordingly, all fractional shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution.

Except as provided in this Section 6, a grantee shall have no rights by reason of any issue or delivery by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividends or any other increase or decrease in the number of shares of stock of any class.

SECTION 7

EFFECT OF THE PLAN ON THE RIGHTS OF COMPANY AND STOCKHOLDERS

Nothing in the Plan, in any Director Fees paid or stock option granted under the Plan, or in any stock option agreement shall confer any right to any person to continue as a Director of the Company or interfere in any way with the rights of the stockholders of the Company or the Board of Directors to elect and remove Directors.

SECTION 8

AMENDMENT AND TERMINATION

The right to amend the Plan at any time and from time to time and the right to terminate the Plan at any time are hereby specifically reserved to the Board; provided always that no such termination shall terminate any outstanding stock options granted under the Plan; and provided further that no amendment of the Plan shall (a) be made without stockholder approval if stockholder approval of the amendment is at the time required for stock issued or delivered for Director Fees or stock options under the Plan to qualify for the exemption from Section 16(b) of the 1934 Act provided by Rule 16b-3 or by the rules of the New York Stock Exchange or any other stock exchange on which the Common Stock may then be listed, (b) amend more than once every six months the provisions of the Plan relating to the selection of the Directors to whom stock may be issued or delivered for Directors Fees or to whom stock options are to be granted, the timing of such issuance or delivery or grants, the number of shares subject to any issuance or delivery or stock option, the exercise price of any stock option, the periods during which any stock option may be exercised and the term of any stock option other than to comport with changes in the Code or the rules and regulations thereunder or (c) otherwise amend the Plan in any manner that would cause stock issued or delivered for Director Fees or stock options under the Plan not to qualify for the exemption provided by Rule 16b-3. No amendment or termination of the Plan shall, without the written consent of the holder of a stock option theretofore awarded under the Plan, adversely affect the rights of such holder with respect thereto.

Notwithstanding anything contained in the preceding paragraph or any other provision of the Plan or any stock option agreement, the Board shall have the power to amend the Plan in any manner deemed necessary or advisable for stock issued or delivered for Director Fees or stock options granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the 1934 Act), and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding stock options theretofore granted under the Plan notwithstanding any contrary provisions contained in any stock option agreement. In the event of any such amendment to the Plan, the holder of any stock option outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability of such option, execute a conforming amendment in the form prescribed by the Committee to the stock option agreement referred to in Section 5(F) within such reasonable time as the Committee shall specify in such request.

SECTION 9

INTEGRATION

The Plan and any written agreements executed by the non-employee Directors and the Company contain all of the understandings and representations between the parties and supersede any prior understandings and agreements entered into between them regarding the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter within which are not fully expressed in the Plan and the agreements.

SECTION 10

EFFECTIVE DATE AND DURATION OF PLAN

The effective date and date of adoption of the Plan shall be November 1, 1995, the date of adoption of the Plan by the Board (such adoption of the Plan by the Board having been approved by the majority of the votes cast at a meeting of the holders of voting stock of the Company) and the effective date of the amendments to the Plan adopted by the Board on January 24, 2000 shall be January 24, 2000. No stock may be issued or delivered for Director Fees and no stock option may be granted under the Plan subsequent to October 31, 2005.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
SUBSIDIARIES AND AFFILIATES

COMPANY	JURISDICTION OF INCORPORATION	OWNERSHIP INTEREST

Allied Friction Products Australia Pty Ltd.	Australia	100%
Bay State Transit Services, LLC	Delaware	75%
Benn Iron Foundry Ltd.	Canada	100%
Boise Locomotive Company	Delaware	100%
Cobra Europe S.A.	France	100%
Evand Pty Ltd.	Australia	100%
F.I.P. Pty Ltd.	Australia	100%
Gateway Rebuild Company	Delaware	100%
GreysHam Railway Friction Products	India	65%
H.P. s.r.l.	Italy	100%
MCM Tecnologia S.A., de C.V.	Mexico	100%
Microphor Company	Delaware	100%
MotivePower Canada Corporation	Nova Scotia	100%
MotivePower Foreign Sales Corporation	Barbados	100%
MotivePower Industries, Inc.	Delaware	100%
MotivePower Industries Australia Pty. Limited	Australia	100%
MotivePower International I, Inc.	Delaware	100%
MotivePower International II, Inc.	Delaware	100%
MotivePower Investments Limited	Delaware	100%
MotivePower USA, Inc.	Delaware	100%
Motor Coils de Mexico S.A., de C.V.	Mexico	100%
MotorCoils Manufacturing Company	Pennsylvania	100%
MPI Comercial S.A., de C.V.	Mexico	100%
MPI Industries de Mexico S.A. de C.V.	Mexico	100%
MPI Noreste S.A., de C.V.	Mexico	100%
MPI Pacifo-Norte S.A., de C.V.	Mexico	100%
MPI Sureste S.A., de C.V.	Mexico	100%
Ontario Transit, Ltd.	Canada	50%
Pioneer Friction	India	51%
Railroad Friction Products Corporation	Delaware	100%
RFI Properties, Inc.	Delaware	100%
RFPC Holding Corporation	Delaware	100%
RFS (E) Limited	United Kingdom	100%
Stone Safety Service Corp	New Jersey	100%
Stone UK, Ltd.	United Kingdom	100%
Technical Service & Marketing, LLC	Delaware	100%
TFL, Inc.	Delaware	100%
ThermoSealed Castings Ltd.	Canada	100%
Vapor Canada Inc.	Canada	100%
Vapor Corporation	Delaware	100%
Vapor UK Limited	United Kingdom	100%
Wabco/MPI de Mexico S.A., de C.V.	Mexico	100%
Wabtec Corporation	New York	100%
Westinghouse International Corporation	Barbados	100%
Westinghouse Railway (Canada), Ltd.	Canada	100%
Westinghouse Railway Holdings (Canada) Inc.	Canada	100%
Young Radiator Company	Wisconsin	100%

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8, Registration Numbers 33-80417, 333-59441, 333-53753, 333-39159, and 333-02979.

/s/ ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
March 25, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in Registration Statement Numbers 33-80417, 333-59441, 333-53753, 333-02979 and 333-39159 of Westinghouse Air Brake Technologies Corporation Form S-8 of our report dated February 11, 1999 (March 2, 1999 as to Note 18) on the consolidated financial statements of MotivePower Industries, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Westinghouse Air Brake Technologies Corporation for the year ended December 31, 1999.

/s/ DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
March 28, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM WESTINGHOUSE
AIR BRAKE TECHNOLOGIES CORPORATION'S CONSOLIDATED FINANCIAL STATEMENTS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

12-MOS	
	DEC-31-1999
	JAN-01-1999
	DEC-31-1999
	7,056
	0
	179,734
	0
	211,396
	437,248
	395,687
	172,996
	996,676
194,212	
	567,844
0	
	0
	654
	181,224
996,676	
	1,121,068
1,121,068	
	789,089
	789,089
	215,970
	0
44,420	
	71,499
	33,557
	0
	0
(1,319)	
	0
	36,623
	0.85
	0.83

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1,000

3-MOS	
	DEC-31-1999
	JAN-01-1999
	MAR-31-1999
	15,797
	0
	194,536
	0
	207,242
	456,256
	377,407
	154,032
	1,017,272
217,834	
	583,833
0	
	0
	652
	166,623
1,017,272	
	298,478
298,478	
	209,410
	209,410
	45,366
	0
11,290	
	32,145
	11,878
20,267	
	0
	(469)
	0
	19,798
	0.46
	0.45

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1,000

6-MOS	
	DEC-31-1999
	JAN-01-1999
	JUN-30-1999
	12,995
	0
	183,381
	0
	216,203
	447,890
	385,970
	160,679
	1,012,359
	216,857
	554,523
	0
	0
	652
	192,980
1,012,359	
	591,122
	591,122
	411,036
	411,036
	411,036
	89,969
	0
	22,474
	67,391
	24,704
	42,687
	0
	(469)
	0
	42,218
	0.98
	0.95

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1,000

9-MOS	
	DEC-31-1999
	JAN-01-1999
	SEP-30-1999
	15,422
	0
	179,758
	0
	216,274
	453,897
	393,851
	167,725
	1,014,780
	212,086
	537,045
	0
	0
	653
	214,724
1,014,780	
	852,003
	852,003
	593,357
	593,357
	128,809
	0
	33,748
	95,351
	34,854
	60,497
	0
	(469)
	0
	60,028
	1.39
	1.35

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1,000

12-MOS	
	DEC-31-1998
	JAN-01-1998
	DEC-31-1998
	8,983
	0
	190,160
	0
	196,553
	435,084
	364,469
	145,231
	967,382
244,485	
	532,487
0	
	0
	652
	143,424
967,382	
	1,036,127
1,036,127	
	735,626
	735,626
	155,472
	0
	37,111
	121,311
	42,115
79,196	
	0
(5,345)	
	0
	73,851
	1.72
	1.67

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1,000

3-MOS	
	DEC-31-1998
	JAN-01-1998
	MAR-31-1998
	10,375
	0
	146,220
	0
	163,925
	352,060
	299,429
	132,450
	719,946
210,067	
	376,829
0	
	0
	652
	84,058
719,946	
	240,989
	240,989
	167,837
	167,837
	37,394
	0
	8,586
	28,260
	10,282
17,978	
	0
	(472)
	0
	17,506
	0.41
	0.40

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1,000

6-MOS	
	DEC-31-1998
	JAN-01-1998
	JUN-30-1998
	12,604
	0
	146,988
	0
	178,851
	369,389
	318,183
	138,517
	749,293
201,184	
	393,722
0	
	0
	652
	102,266
749,293	
	501,502
	501,502
	351,967
	351,967
	76,501
	0
	17,425
	59,384
	21,836
37,548	
	0
	(3,202)
	0
	34,346
	0.81
	0.78

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1,000

9-MOS	
	DEC-31-1998
	JAN-01-1998
	SEP-30-1998
	21,710
	0
	157,288
	0
	187,872
	397,788
	330,342
	143,474
	780,851
201,063	
	412,849
0	
	0
	652
	121,789
780,851	
	749,384
	749,384
	529,433
	529,433
	111,552
	0
	26,023
	88,128
	32,022
56,106	
	0
	(3,202)
	0
	52,904
	1.24
	1.20

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1,000

12-MOS	
	DEC-31-1997
	JAN-01-1997
	DEC-31-1997
	17,733
	0
	126,476
	0
	150,745
	324,836
	288,899
	128,109
	693,981
214,336	
	367,116
0	
	0
	652
	64,633
693,981	
	870,371
	870,371
	611,911
	611,911
	133,867
	0
	34,892
	92,579
	35,040
57,539	
	0
	0
	0
	57,539
	1.33
	1.30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One):

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

For the fiscal year ended DECEMBER 31, 1999

or

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-13782

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust

B. Name of issuer of the securities held pursuant to the plan and the address of the principal executive office:

Westinghouse Air Brake Technologies Corporation
1001 Air Brake Avenue
Wilmerding, PA 15148

The Westinghouse Air Brake Company Employee Stock Ownership Plan and Trust is subject to the Employee Retirement Income Security Act of 1974. The required financial statements will be filed by amendment within the time prescribed by the rules of Form 11-K.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the ESOP Committee of Westinghouse Air Brake Company has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Westinghouse Air
Brake Company
Employee Stock
Ownership Plan and
Trust

By /s/ KEVIN P. CONNER

Kevin P. Conner
Member of the
ESOP Committee

March 28, 2000

Wabtec Corporation
1001 Air Brake Avenue
Wilmerding, Pennsylvania 15148

February 15, 2000

Re: Form 10-K Report for the year ended December 31, 1999.

Gentlemen:

This letter is written to meet the requirements of Regulation S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

As of January 1, 1999, certain of the Company's subsidiaries changed from the LIFO method of accounting for inventory to the FIFO method. According to the management of the Company, this change was made to better match revenue and expense and to present inventory balances that more closely reflect their current costs.

A complete coordinated set of financial and reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that the Company's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with you, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of your management.

Very truly yours,

/s/ Arthur Andersen LLP