MACK CALI REALTY CORP
Form 4
October 07, 2010

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
REID IRVIN D

(Last) (First) (Middle)

C/O MACK-CALI REALTY CORPORATION, 343 THORNALL STREET

(Street)

EDISON, NJ 08837

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MACK CALI REALTY CORP [CLI]

3. Date of Earliest Transaction (Month/Day/Year)
10/05/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amo Underlying Secu (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am Nu Sha
Phantom Stock Units	$ 0 (1)	10/05/2010		A		519.128 (2)		08/08/1988 (3)	08/08/1988 (3)	Common Stock	51

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
REID IRVIN D C/O MACK-CALI REALTY CORPORATION 343 THORNALL STREET EDISON, NJ 08837	X			

Signatures

/s/ Irvin D. Reid	10/07/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The phantom stock units convert to common stock on a one-for-one basis.

(2) The number of phantom stock units awarded is comprised of a quarterly director's fee earned and a quarterly dividend credited on cumulative phantom stock units under the Mack-Cali Realty Corporation Deferred Compensation Plan for Directors.

(3) The phantom stock units were accrued under the Mack-Cali Realty Corporation Deferred Compensation Plan for Directors and are to be settled 100% in Mack-Cali Realty Corporation common stock upon the termination of the reporting person's service on the Board of Directors of Mack-Cali Realty Corporation or upon a change in control of Mack-Cali Realty Corporation.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Capital leases							
	0.9	0.8	0.3				2.0
Mortgage(2)							
	0.3	0.3	1.5	0.4	0.4	0.2	3.1
Variable Rate Demand Revenue Bonds(3)							
					5.3	5.3	
Revolving Credit Agreement(4)							
Total contractual cash obligations							

$ 3.8	$ 5.2	$ 5.5	$ 2.6	$ 2.0	$ 218.1	$ 237.2

(1) We have semi-annual cash interest requirements due on the Senior Secured Notes with $17.1 million payable in 2010 through 2015, and $15.6 million due in 2016.

(2) In June, 2006, our German subsidiary entered into a mortgage on its building in Heidelberg, Germany, with a local bank. The mortgage has a principal of 2.2 million as of December 31, 2009, an interest rate of 3.5% and is payable in monthly installments over the next 6 years.

(3) In April 2007, as part of the TB Wood s acquisition, we assumed obligation for payment of interest and principal on the Variable Rate Demand Revenue Bonds. These bonds bear variable interest rates and mature in April 2022 and April 2024.

(4) We have up to $50.0 million of borrowing capacity, through November 2012, under our Revolving Credit Agreement (including $30 million available for use for letters of credit). As of December 31, 2009, there were no outstanding borrowings and $10.4 million of outstanding letters of credit under our Revolving Credit Agreement.

We have cash funding requirements associated with our pension plan. As of December 31, 2009, these requirements were estimated to be zero for 2010, $1.2 million for 2011, $1.2 million for 2012, $0.6 million for 2013 and $1.2 million for 2014.

We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $9.7 million as of December 31, 2009, have been excluded from the contractual obligations table above. For further information on unrecognized tax benefits, see Note 8 to the consolidated financial statements.

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Stock-based Compensation

In January 2005, we established the 2004 Equity Incentive Plan that provides for various forms of stock based compensation to our officers and senior level employees.

As of December 31, 2009, there were 560,081 shares of unvested restricted stock outstanding under the plan. The remaining compensation cost to be recognized through 2012 is $2.2 million. Based on the stock price at December 31, 2009, of $12.35 per share, the intrinsic value of these awards as of December 31, 2009, was $6.9 million.

Income Taxes

We are subject to taxation in multiple jurisdictions throughout the world. Our effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which we transfer funds between jurisdictions and repatriate income, and changes in law. Generally, the tax liability for each legal entity is determined either (a) on a non-consolidated and non-combined basis or (b) on a consolidated and combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated and non-combined affiliated entities. As a result, we may pay income taxes to some jurisdictions even though on an overall basis we incur a net loss for the period.

Seasonality

We experience seasonality in our turf and garden business, which in recent years has represented approximately 10% of our net sales. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The June-through-November period is typically the low season for us and our customers in the turf and garden market. Seasonality is also affected by weather and the level of housing starts.

Inflation

Inflation can affect the costs of goods and services we use. The majority of the countries that are of significance to us, from either a manufacturing or sales viewpoint, have in recent years enjoyed relatively low inflation. The competitive environment in which we operate inevitably creates pressure on us to provide our customers with cost-effective products and services.

Recent Accounting Pronouncements

In December 2008, the Financial Accounting Standards Boards (FASB) issued enhanced disclosure requirements for defined benefit pension and other postretirement benefit plan assets. The additional disclosures are intended to provide users of financial statements with an enhanced understanding of (a) how investment allocation decisions are made, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. See Note 9 to consolidated financial statements for our enhanced disclosure.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates and changes in commodity prices. At present, we do not utilize derivative instruments to manage these risks.

Currency translation. The results of operations of our foreign subsidiaries are translated into U.S. Dollars at the average exchange rates for each period concerned. The balance sheets of foreign subsidiaries are translated into U.S. Dollars at the exchange rates in effect at the end of each period. Any adjustments resulting from the translation are recorded as other comprehensive income. As of December 31, 2009 and 2008, the aggregate total assets (based on book value) of foreign subsidiaries were $76.8 million and $73.5 million, respectively, representing approximately 55.3% and 57.0%, respectively, of our total assets

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(based on book value). Our foreign currency exchange rate exposure is primarily with respect to the Euro and British Pound Sterling. The approximate exchange rates in effect at December 31, 2009 and 2008, were $1.43 and $1.41, respectively to the Euro. The approximate exchange rates in effect at December 31, 2009 and 2008 were $1.59 and $1.45, respectively to the British Pound Sterling.

Currency transaction exposure. Currency transaction exposure arises where actual sales, purchases and financing transactions are made by a business or company in a currency other than its own functional currency. Any transactional differences at an international location are recorded in net income on a monthly basis.

Interest rate risk. The majority of our debt is fixed rate debt, however we are subject to market exposure to changes in interest rates on some of our financing activities. This exposure relates to borrowings under our Revolving Credit Agreement, and our Variable Rate Demand Revenue Bonds. Our Revolving Credit Agreement is payable at prime rate plus 0.25% in the case of prime rate loans, or LIBOR rate plus an applicable spread of 2.75% to 3.25%, in the case of LIBOR rate loans. The applicable spread varies depending on the average amount that is unavailable under the Revolving Credit Agreement during the most recent quarter. As of December 31, 2009, we had no borrowings under our Revolving Credit Agreement and $10.4 million of outstanding letters of credit under our Revolving Credit Agreement. The Variable Rate Demand Revenue Bonds have a variable interest rate that was less than 1% as of December 31, 2009. Due to the minimal amounts of outstanding debt a hypothetical change in interest rates of 1% would not have a material effect on our near-term financial condition or results of operations.

Commodity Price Exposure. We have exposure to changes in commodity prices principally related to metals including steel, copper and aluminum. We primarily mange our risk associated with such increases through the use of surcharges or general pricing increases for the related products. We do not engage in the use of financial instruments to hedge our commodities price exposure.

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Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Altra Holdings, Inc.
Braintree, Massachusetts

We have audited the accompanying consolidated balance sheet of Altra Holdings, Inc. and subsidiaries (the Company) as of December 31, 2009 and the related consolidated statements of operations and comprehensive income (loss), stockholders equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2010 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
March 9, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Altra Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Altra Holdings, Inc. as of December 31, 2008, and the related consolidated statements of operations and comprehensive income (loss), stockholders equity, and cash flows for each of the two years in the period ended December 31, 2008. Our audits also included the consolidated financial statement schedule listed in the index at Item 15(a)(2) for each of the two years in the period ended December 31, 2008. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Altra Holdings, Inc. at December 31, 2008, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule for each of the two years in the period ended December 31, 2008, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 8 to the consolidated financial statements, the Company changed its method of accounting for income tax uncertainties with the adoption of the guidance originally issued in Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (codified in FASB ASC Topic 740, *Income Taxes*) effective January 1, 2007.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 6, 2009, except for Note 17,
as to which the date is November 4, 2009

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ALTRA HOLDINGS, INC.

Consolidated Balance Sheets
Amounts in thousands, except share amounts

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 51,497	$ 52,073
Trade receivable, less allowance for doubtful accounts of $1,434 and $1,277 at December 31, 2009 and 2008, respectively	52,855	68,803
Inventories	71,853	98,410
Deferred income taxes	9,265	8,032
Assets held for sale (See Note 5)		4,676
Income tax receivable	4,754	2,581
Prepaid expenses and other current assets	3,647	3,933
Total current assets	193,871	238,508
Property, plant and equipment, net	105,603	110,220
Intangible assets, net	74,905	79,339
Goodwill	78,832	77,497
Deferred income taxes	679	495
Other non-current assets	11,309	7,525
Total assets	$ 465,199	$ 513,584
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 27,421	$ 33,890
Accrued payroll	12,133	16,775
Accruals and other current liabilities	19,971	18,755
Deferred income taxes	7,275	6,906
Current portion of long-term debt	1,059	3,391
Total current liabilities	67,859	79,717
Long-term debt less current portion and net of unaccreted discount and premium	216,490	258,132
Deferred income taxes	21,051	23,336
Pension liabilities	9,862	11,854
Other post retirement benefits	405	2,270
Long-term taxes payable	9,661	7,976
Other long-term liabilities	928	1,434
Commitments and contingencies (See Note 15)		
Stockholders equity:		

Preferred stock ($0.001 par value, 10,000,000 shares authorized, none issued or outstanding at December 31, 2009 and 2008, respectively)		
Common stock ($0.001 par value, 90,000,000 shares authorized, 26,057,993 and 25,582,543 issued and outstanding at December 31, 2009 and 2008, respectively)	26	26
Additional paid-in capital	132,552	129,604
Retained earnings	21,011	23,325
Accumulated other comprehensive income	(14,646)	(24,090)
Total stockholders equity	138,943	128,865
Total liabilities and stockholders equity	$ 465,199	$ 513,584

The accompanying notes are an integral part of these consolidated financial statements.

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ALTRA HOLDINGS, INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)
Amounts in thousands, except per share data

	Year Ended December 31, 2009	2008	2007
Net sales	$ 452,846	$ 635,336	$ 584,376
Cost of sales	329,825	449,244	419,109
Gross profit	123,021	186,092	165,267
Operating expenses:			
Selling, general and administrative expenses	81,117	99,185	93,211
Research and development expenses	6,261	6,589	6,077
Goodwill impairment		31,810	
(Gain) loss from settlement/curtailment of post employment benefit and pension plans	(1,467)	(925)	2,745
Restructuring costs	7,286	2,310	2,399
Loss on disposal of assets	545	1,584	
	93,742	140,553	104,432
Income from operations	29,279	45,539	60,835
Other non-operating income and expense:			
Interest expense, net	32,976	28,339	38,554
Other non-operating (income) expense, net	981	(6,249)	612
	33,957	22,090	39,166
Income (loss) from continuing operations before income taxes	(4,678)	23,449	21,669
(Benefit) provision for income taxes	(2,364)	16,731	8,208
Net income (loss) from continuing operations	(2,314)	6,718	13,461
Net loss from discontinued operations, net of income taxes of $43 in 2008 and $583 in 2007		(224)	(2,001)
Net income (loss)	$ (2,314)	$ 6,494	$ 11,460
Consolidated Statement of Comprehensive Income (Loss)			
Pension liability adjustment	514	(2,038)	482
Foreign currency translation adjustment	8,930	(23,975)	4,505
Comprehensive income (loss)	$ 7,130	$ (19,519)	$ 16,447
Weighted average shares, basic	25,945	25,496	23,579
Weighted average shares, diluted	25,945	26,095	24,630
Basic earnings per share:			
Net income (loss) from continuing operations	$ (0.09)	$ 0.26	$ 0.57
Net loss from discontinued operations		(0.01)	(0.08)

Net income (loss)	$	(0.09)	$	0.25	$	0.49
Diluted earnings per share:						
Net income (loss) from continuing operations	$	(0.09)	$	0.26	$	0.55
Net loss from discontinued operations				(0.01)		(0.08)
Net income (loss)	$	(0.09)	$	0.25	$	0.47

The accompanying notes are an integral part of these consolidated financial statements.

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ALTRA HOLDINGS, INC.

Consolidated Statements of Stockholders Equity
Amounts in thousands

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2006	$ 21	21,468	$ 76,907	$ 5,552	$ (3,064)	$ 79,416
Issurance of common stock, net of offering costs	3	3,178	48,708			48,711
Stock based compensation and vesting of restricted stock	1	483	2,038			2,039
Net income				11,460		11,460
Adoption of ASC 740				(181)		(181)
Cumulative foreign currency translation adjustment, net of $1,873 tax expense					4,505	4,505
Minimum pension liability adjustment, net of $28 tax expense					482	482
Balance at December 31, 2007	$ 25	25,129	$ 127,653	$ 16,831	$ 1,923	$ 146,432
Stock based compensation and vesting of restricted stock	1	454	1,951			1,952
Net income				6,494		6,494
Cumulative foreign currency translation adjustment, net of $1,594 of tax expense					(23,975)	(23,975)
Minimum pension liability adjustment, net of $1,044 tax benefit					(2,038)	(2,038)
Balance at December 31, 2008	$ 26	25,583	$ 129,604	$ 23,325	$ (24,090)	$ 128,865
Stock based compensation and vesting of restricted stock		475	2,948			2,948
Net loss				(2,314)		(2,314)
Cumulative foreign currency translation adjustment, net of					8,930	8,930

$478 of tax expense											
Minimum pension liability adjustment, net of $316 tax expense									514		514
Balance at December 31, 2009	$	26	26,058	$	132,552	$	21,011	$	(14,646)	$	138,943

The accompanying notes are an integral part of these consolidated financial statements.

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ALTRA HOLDINGS, INC.

Consolidated Statements of Cash Flows
Amounts in thousands

	Year Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income (loss)	$ (2,314)	$ 6,494	$ 11,460
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Depreciation	16,534	15,379	16,447
Amortization of intangible assets	5,538	5,689	5,492
Amortization and write-offs of deferred loan costs	4,062	2,133	3,448
(Gain) loss on foreign currency, net	1,104	(5,049)	732
Accretion and write-off of debt discount and premium	1,912	898	774
Goodwill impairment charges		31,810	
Amortization of inventory fair value adjustment			926
Gain (loss) on sale of Electronics Division		224	(2,927)
Loss on disposal/impairment of fixed assets	2,891	1,584	313
(Gain) loss on settlement/curtailment of other post retirement benefit and pension plans	(1,467)	(925)	2,745
Stock based compensation	3,267	1,951	2,038
Provision for deferred taxes	(1,804)	1,401	5,455
Changes in assets and liabilities:			
Trade receivables	19,267	(933)	4,318
Inventories	28,180	(2,074)	(2,277)
Accounts payable and accrued liabilities	(17,924)	(13,268)	(10,690)
Other current assets and liabilities	376	1,269	3,735
Other operating assets and liabilities	(234)	(1,469)	(181)
Net cash provided by operating activities	59,388	45,114	41,808
Cash flows from investing activities			
Purchase of property, plant and equipment	(9,194)	(19,289)	(11,633)
Proceeds from sale of Electronics Division, net of cash of $1,072		17,310	10,828
Payments for prior year acquisitions		(1,708)	
Acquisitions, net of $5,222 of cash acquired in 2007			(123,867)
Net cash used in investing activities	(9,194)	(3,687)	(124,672)
Cash flows from financing activities			
Proceeds from issuance of 9% Old Senior Secured Notes			106,050
Payments on 9% Old Senior Secured Notes	(242,500)	(27,500)	
Payment of debt issuance costs	(7,561)		(4,235)
Payments on 111/4% Old Senior Notes	(4,950)	(1,346)	(58,428)

Borrowings under revolving credit agreements			8,315
Payments on revolving credit agreements	(6,000)	(1,723)	(13,520)
Payment on mortgages	(584)	(266)	(126)
Proceeds from secondary public offering			49,592
Proceeds from additional borrowings under an existing mortgage	1,467		
Proceeds from issuance of 81/8% Senior Secured Notes	207,251		
Shares repurchased for tax withholding	(319)		
Payment of public offering costs			(2,180)
Payment on capital leases	(820)	(925)	(931)
Net cash (used in) provided by financing activities	(54,016)	(31,760)	84,537
Effect of exchange rate changes on cash and cash equivalents	3,246	(3,401)	1,607
Net change in cash and cash equivalents	(576)	6,266	3,280
Cash and cash equivalents at beginning of year	52,073	45,807	42,527
Cash and cash equivalents at end of period	$ 51,497	$ 52,073	$ 45,807
Cash paid during the period for:			
Interest	$ 27,887	$ 27,253	$ 36,961
Income taxes	$ 3,686	$ 17,277	$ 13,277
Non-cash Financing:			
Acquisition of capital equipment under capital lease	$	$ 352	$ 2,364

The accompanying notes are an integral part of these consolidated financial statements.

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements
Amounts in thousands (unless otherwise noted)

1. Description of Business and Summary of Significant Accounting Policies

Basis of Preparation and Description of Business

Headquartered in Braintree, Massachusetts, Altra Holdings, Inc. (the Company), through its wholly-owned subsidiary Altra Industrial Motion, Inc. (Altra Industrial) is a leading multi-national designer, producer and marketer of a wide range of mechanical power transmission products. The Company brings together strong brands covering over 40 product lines with production facilities in eight countries and sales coverage in over 70 countries. The Company s leading brands include Boston Gear, Warner Electric, TB Wood s, Formsprag Clutch, Ameridrives Couplings, Industrial Clutch, Kilian Manufacturing, Marland Clutch, Nuttall Gear, Stieber Clutch, Wichita Clutch, Twiflex Limited, Bibby Transmissions, Matrix International, Inertia Dynamics, Huco Dynatork and Warner Linear.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Net Income Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding, and diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common equivalent shares outstanding. Common equivalent shares are included in the per share calculations when the effect of their inclusion would be dilutive.

The following is a reconciliation of basic to diluted net income (loss) per share:

	Year Ended December 31,		
	2009	**2008**	**2007**
Net income (loss) from continuing operations	$ (2,314)	$ 6,718	$ 13,461
Net loss from discontinued operations		(224)	(2,001)
Net income (loss)	$ (2,314)	$ 6,494	$ 11,460
Shares used in net income per common share basic	25,945	25,496	23,579
Incremental shares of unvested restricted common stock		599	1,051
Shares used in net income per common share diluted	25,945	26,095	24,630
Earnings per share Basic:			
Net income (loss) from continuing operations	$ (0.09)	$ 0.26	$ 0.57
Net loss from discontinued operations	$	$ (0.01)	$ (0.08)
Net income (loss)	$ (0.09)	$ 0.25	$ 0.49

Earnings per share Diluted:						
Net income (loss) from continuing operations	$	(0.09)	$	0.26	$	0.55
Net loss from discontinued operations	$		$	(0.01)	$	(0.08)
Net income (loss)	$	(0.09)	$	0.25	$	0.47

Fair Value of Financial Instruments

The carrying values of financial instruments, including accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The carrying amount of the 81/8% Senior Secured Notes (Senior Secured Notes) was $210.0 million as December 31, 2009. The carrying amount of the 9% Senior Secured Notes (Old Senior Secured Notes) was $242.5 million December 31, 2008. The carrying amount of the 11.25% Senior Notes (Old Senior Notes) was $4.7 million at December 31, 2008. The estimated fair value of the Senior Secured Notes at December 31, 2009 was

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$215.5 million. The estimated fair value of the Old Senior Secured Notes at December 31, 2008 was $232.8 million based on quoted market prices for such notes. The estimated fair value of the Old Senior Notes was approximately £3.3 million ($4.7 million) as of December 31, 2008.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

Foreign currency translation

Assets and liabilities of subsidiaries operating outside of the United States with a functional currency other than the U.S. Dollar are translated into U.S. Dollars using exchange rates at the end of the respective period. Revenues and expenses are translated at average exchange rates effective during the respective period.

Foreign currency translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of stockholders equity. Net foreign currency transaction gains and losses are included in the results of operations in the period incurred and included in other non-operating expense (income), net in the accompanying statement of operations and comprehensive income (loss).

Cash and Cash Equivalents

Cash and cash equivalents include all financial instruments purchased with an initial maturity of three months or less. Cash equivalents are stated at cost, which approximates fair value.

Trade Receivables

An allowance for doubtful accounts is recorded for estimated collection losses that will be incurred in the collection of receivables. Estimated losses are based on historical collection experience, as well as a review by management of the status of all receivables. Collection losses have been within the Company s expectations.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) method for all entities excluding one of the Company s subsidiaries, TB Wood s. TB Wood s inventory is stated at the lower of cost or market, principally using the last-in, first-out (LIFO) method. Inventory stated using the LIFO method approximates 13% of total inventory. The cost of inventories acquired by the Company in its acquisitions reflect their fair values at the date of acquisition as determined by the Company based on the replacement cost of raw materials, the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts, and for work-in-process the sales price of the finished goods less an appropriate amount representing the expected profitability from selling efforts and costs to complete.

The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product or product line. The Company records a charge to cost of sales for any amounts required to reduce the carrying value of inventories to its estimated net realizable value.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation.

Depreciation of property, plant, and equipment, including capital leases is provided using the straight-line method over the estimated useful life of the asset, as follows:

Buildings and improvements	15 to 45 years
Machinery and equipment	2 to 15 years
Capital lease	Life of lease

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Improvements and replacements are capitalized to the extent that they increase the useful economic life or increase the expected economic benefit of the underlying asset. Repairs and maintenance expenditures are charged to expense as incurred.

Intangible Assets

Intangibles represent product technology, patents, tradenames, trademarks and customer relationships. Product technology, patents and customer relationships are amortized on a straight-line basis over 8 to 16 years, which approximates the period of economic benefit. The tradenames and trademarks are considered indefinite-lived assets and are not being amortized. Intangibles are stated at fair value on the date of acquisition. At December 31, 2009 and 2008, intangibles are stated net of accumulated amortization incurred since the date of acquisition and any impairment charges.

Goodwill

Goodwill represents the excess of the purchase price paid by the Company for Power Transmission Holding, Inc. (PTH), The Kilian Company (Kilian), Hay Hall Ltd. (Hay Hall), Bear Linear Inc. (Warner Linear), TB Wood s, Corporation. (TB Wood s), and All Power Transmission Manufacturing, Inc. (All Power) over the fair value of the net assets acquired in each of the acquisitions. Goodwill can be attributed to the value placed on the Company being an industry leader with a market leading position in the Power Transmission industry. The Company s leadership position in the market was achieved by developing and manufacturing innovative products and management anticipates that its leadership position and profitability will continue to expand, enhanced by cost improvement programs associated with ongoing consolidation and centralization of its operations.

The Company evaluates goodwill for impairment at the reporting unit level. The Company establishes its reporting units based on an analysis of the components that comprise each of our operating segments. Components of an operating segment are aggregated to form one reporting unit if the components have similar economic characteristics. Goodwill is assigned to reporting units as of the date of the related acquisition. To the extent assets and liabilities relate to multiple reporting units, they are allocated to the reporting units based on the relative fair value of each reporting unit. This requires significant use of judgment and estimates.

During 2009, the Company appointed a new Chief Operating Decision Maker (CODM) and went through an extensive restructuring plan. As a result of the change in the CODM and our restructuring activities, we re-evaluated our operating segments and reporting unit structure. We identified five operating segments and concluded that the five operating segments can be aggregated into one reportable segment. We also identified twenty-one reporting units and concluded that the reporting units could be aggregated into five reporting units when performing the goodwill impairment analysis.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

The Company conducts an annual impairment review of goodwill and indefinite lived intangible assets in December of each year, unless events occur which trigger the need for an interim impairment review. In connection with the Company s annual impairment review, goodwill and indefinite lived intangible assets are assessed for impairment by comparing the fair value of the reporting unit to the carrying value using a two step approach. In the first step, the Company estimates future cash flows based upon historical results and current market projections, discounted at a market comparable rate. If the carrying amount of the reporting unit exceeds the estimated fair value, impairment may be present, the Company would then be required to perform a second step in its impairment analysis. In the second step, the Company would evaluate impairment losses based upon the fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of the goodwill. An impairment loss is recognized to the extent that a reporting unit s recorded value of the goodwill asset exceeded its calculated fair

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value. In addition, to the extent the implied fair value of any indefinite-lived intangible asset is less than the assets carrying value, an impairment loss is recognized on those assets.

As a result of the annual goodwill impairment review in the fourth quarter of 2008, the Company determined that goodwill was impaired at three of its reporting units and therefore recorded a pre-tax charge of $31.8 million in the consolidated statement of operations. Significant declines in macroeconomic market conditions, substantial declines in global equity valuations and the Company s market capitalization were the main causes of the goodwill impairment.

The Company did not identify any impairment of goodwill in 2009.

Preparation of forecasts of revenue and profitability growth for use in the long-range plan and the discount rate require significant use of judgment. Changes to the discount rate and the forecasted profitability could affect the estimated fair value of one or more of the Company s reporting units and could result in a goodwill impairment charge in a future period.

Impairment of Long-Lived Assets Other Than Goodwill and Indefinite-Lived Intangible Assets

Long-lived assets, including definite-lived intangible assets, are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recovered. Long-lived assets are considered to be impaired if the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time.

During the fourth quarter of 2008, a goodwill impairment was identified and recorded at three of our reporting units. This indicated that there could be an impairment of long-lived assets at those reporting units. The Company performed an impairment analysis of our long-lived assets at the three reporting units that recorded a goodwill impairment charge. The undiscounted cash flows relating to the definite-lived assets exceeded the carrying value of those assets and therefore no impairment charge was recorded.

Determining fair values based on discounted cash flows requires management to make significant estimates and assumptions, including forecasting of revenue and profitability growth for use in the long-range plan and estimating appropriate discount rates.

Debt Issuance Costs

Costs directly related to the issuance of debt are capitalized, included in other long-term assets and amortized using the effective interest method over the term of the related debt obligation. The net carrying value of debt issuance costs was approximately $7.6 million and $4.0 million at December 31, 2009 and 2008, respectively.

Revenue Recognition

Product revenues are recognized, net of sales tax collected, at the time title and risk of loss pass to the customer, which generally occurs upon shipment to the customer. Product return reserves are accrued at the time of sale based on the historical relationship between shipments and returns, and are recorded as a reduction of net sales.

Certain large distribution customers receive quantity discounts which are recognized net at the time the sale is recorded.

Shipping and Handling Costs

Shipping and handling costs associated with sales are classified as a component of cost of sales.

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Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims. See Note 7 to the consolidated financial statements.

Self-Insurance

Certain exposures are self-insured up to pre-determined amounts, above which third-party insurance applies, for medical claims, workers compensation, vehicle insurance, product liability costs and general liability exposure. The accompanying balance sheets include reserves for the estimated costs associated with these self-insured risks, based on historic experience factors and management s estimates for known and anticipated claims. A portion of medical insurance costs are offset by charging employees a premium equivalent to group insurance rates.

Research and Development

Research and development costs are expensed as incurred.

Advertising

Advertising costs are charged to selling, general, and administrative expenses as incurred and amounted to approximately $1.3 million, $2.3 million and $2.4 million, for the years ended December 31, 2009, 2008, and 2007, respectively.

Stock-Based Compensation

The Company established the 2004 Equity Incentive Plan, as amended that provides for various forms of stock based compensation to officers, directors key employees and others who make significant contributions to the success of the Company. Expense associated with equity awards is recognized on a straight-line basis over the requisite service period which typically coincides with the vesting period of the grant.

Income Taxes

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company evaluates the realizability of its net deferred tax assets and assesses the need for a valuation allowance on a quarterly basis. The future benefit to be derived from its deferred tax assets is dependent upon the Company s ability to generate sufficient future taxable income to realize the assets. The Company records a valuation allowance to reduce its net deferred tax assets to the amount that may be more likely than not to be realized.

To the extent the Company establishes a valuation allowance on net deferred tax assets generated from operations, an expense will be recorded within the provision for income taxes. In periods subsequent to establishing a valuation allowance on net deferred assets from operations, if the Company were to determine that it would be able to realize its net deferred tax assets in excess of their net recorded amount, an adjustment to the valuation allowance would be recorded as a reduction to income tax expense in the period such determination was made.

We assess our income tax positions and record tax benefits for all years subject to examination, based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the amount that has a greater than 50% likelihood of being realized upon settlement with the taxing authority that has full

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knowledge of all relevant information. Interest and penalties are accrued, where applicable. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Accumulated Other Comprehensive Income (Loss)

The Company s total accumulated other comprehensive income (loss) is comprised of the following:

	Minimum Pension Asset/(liability)	Cumulative Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2008	$ 554	$ (24,644)	$ (24,090)
Balance at December 31, 2009	$ 1,068	$ (15,714)	$ (14,646)

Reclassifications

Certain prior period amounts have been reclassified in the consolidated financial statements to conform to the current period presentation. In the 2008 Consolidated Balance Sheet, the income tax receivable balance has been presented in a separate line in the balance sheet to conform with 2009 presentation.

2. Recent Accounting Pronouncements

In December 2008, the Financial Accounting Standards Boards (FASB) issued enhanced disclosure requirements for defined benefit pension and other postretirement benefit plan assets. The additional disclosures are intended to provide users of financial statements with an enhanced understanding of (a) how investment allocation decisions are made, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. See Note 9 to consolidated financial statements for the Company s enhanced disclosure.

3. Discontinued Operations

On December 31, 2007, the Company completed the divestiture of its TB Wood s adjustable speed drives business (Electronics Division) to Finland-based Vacon for $29.0 million. The decision to sell the Electronics Division was made to allow the Company to continue its strategic focus on its core electro-mechanical power transmission business.

As of December 31, 2007, $11.9 million of cash had been received from Vacon for the purchase of the Electronics Division. The remaining $17.1 million was recorded as a receivable for the sale of Electronics Division on the December 31, 2007 consolidated balance sheet. The Company collected the receivable in January 2008. The Company determined that the Electronics Division became a discontinued operation in the fourth quarter of 2007. Accordingly, the operating results of the Electronics Division were segregated from the continuing operations in the consolidated statements of operations and comprehensive income (loss) for the periods subsequent to the acquisition of TB Wood s (April 5, 2007) through December 31, 2007.

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The following table summarizes the results from discontinued operations for the periods indicated:

	April 5 to December 31, 2007
Sales	$ 28,715
Cost of sales	19,120
Gross Profit	9,595
Selling, general and administrative expenses	5,334
Research and development	1,825
Operating income from continuing operations	2,436
Interest income, net	(76)
Other non-operating income	(83)
Gain on the sale of the Electronics Division	1,513
Total income from discontinued operations before income taxes	4,108
Income taxes	6,109
Total net loss from discontinued operations	$ (2,001)

In connection with the acquisition of TB Wood s stock, all of the assets acquired and liabilities assumed were recorded at fair value on the date of acquisition. Because the transaction was an acquisition of stock, the historical tax basis in the stock acquired was carried over and became the tax basis for the Company resulting in significant book-tax differences. The deferred tax liabilities were not recorded in connection with the non-deductible goodwill resulting from the acquisition. In addition, there were significant differences between the outside and inside basis in the foreign subsidiaries stock that was sold as part of the disposal. As a result of these book-tax differences, we realized a significant gain on the sale of the Electronics Division for tax purposes but a much smaller gain for book purposes. As a result, the tax expense on the gain on the discontinued operations was significantly larger than one might expect when compared to the income from discontinued operations before taxes.

The Company entered into a transition services agreement to provide services such as sales support, warehousing, accounting and IT services to Vacon. The Company has recorded the income received as an offset to the related expense of providing the service. During 2008, the Company recorded $0.3 million against cost of sales, $1.1 million against SG&A and $0.6 million in other income related to lease payments for the rental of buildings. During 2009, the Company recorded $0.6 million in other income related to lease payments for the rental of buildings.

Loss from discontinued operations in the year ended December 31, 2008, was comprised of a purchase price working capital adjustment, net of tax and a revision of tax estimates made in 2007 based on the actual amounts filed on the Company s tax return in 2008.

4. Inventories

Inventories located at certain subsidiaries acquired in connection with the TB Wood s acquisition are stated at the lower of current cost or market, principally using the last-in, first-out (LIFO) method. All of the Company s remaining subsidiaries are stated at the lower of cost or market, using the first-in, first-out (FIFO)

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method. The cost of inventory includes direct materials, direct labor and production overhead. Market is defined as net realizable value. Inventories at December 31, 2009 and 2008 consisted of the following:

	December 31, 2009	December 31, 2008
Raw Materials	$ 28,539	$ 31,925
Work in process	13,711	21,310
Finished goods	29,603	45,175
Inventories, net	$ 71,853	$ 98,410

Approximately 13% of total inventories at December 31, 2009, were valued using the LIFO method. The Company recorded as a component of cost of sales, a $0.1 million benefit and a provision of $1.1 million in the year ended December 31, 2009 and 2008, respectively. If the LIFO inventory was accounted for using the FIFO method, the inventory balance at December 31, 2009 and 2008, would be $0.4 million and $0.3 million lower, respectively.

5. Property, Plant and Equipment

Property, plant and equipment at December 31, 2009 and 2008, consisted of the following:

	2009	2008
Land	$ 13,363	$ 12,923
Buildings and improvements	35,030	31,597
Machinery and equipment	118,804	110,178
	167,197	154,698
Less-Accumulated depreciation	(61,594)	(44,478)
	$ 105,603	$ 110,220

During the fourth quarter of 2007, management entered into a plan to exit the building located in Stratford, Canada. The operations of the facility, which was acquired as part of the TB Wood s acquisition, were integrated into certain of the Company s other existing facilities in 2008. In the second quarter of 2009, due to real estate market conditions in Stratford, Canada, the Company reevaluated the classification of this building as an asset held for sale and reclassified the building, with a net book value of $1.2 million, to held and used. As a result of the change in classification, the Company recorded a catch-up depreciation adjustment of $0.1 million in the year ended December 31, 2009.

As of December 31, 2008, management planned to exit two buildings, one in Scotland, Pennsylvania and one in Chattanooga, Tennessee. The two buildings were previously the operating facilities for the Electronics Division which was divested on December 31, 2007. The Company leases the space to Vacon. In the first quarter of 2009, due to real estate market conditions in Scotland, Pennsylvania and Chattanooga, Tennessee, the Company reevaluated the classification of these buildings as assets held for sale and reclassified the buildings, with a net book value of $3.5 million, to held and used. As a result of the change in classification, the Company recorded a catch-up depreciation adjustment of $0.2 million in 2009.

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6. Goodwill and Intangible Assets

Changes in goodwill during the year ended December 31, 2009 and 2008, were as follows:

	2009	2008
Gross goodwill balance as of January 1	$ 109,307	$ 114,979
Adjustments to acquisition related tax contingencies		(1,461)
Impact of changes in foreign currency	1,335	(4,211)
Gross goodwill balance as of December 31	110,642	109,307
Accumulated impairment, January 1	(31,810)	
Impairment charge during period		(31,810)
Accumulated impairment, December 31	(31,810)	(31,810)
Net goodwill balance December 31, 2009	$ 78,832	$ 77,497

Other intangibles and related accumulated amortization consisted of the following:

	December 31, 2009		December 31, 2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Other Intangible Assets				
Intangible assets not subject to amortization:				
Tradenames and trademarks	$ 30,730	$	$ 30,730	$
Intangible assets subject to amortization:				
Customer relationships	62,038	19,655	62,038	15,065
Product technology and patents	5,435	4,059	5,435	3,111
Impact of changes in foreign currency	416		(688)	
Total intangible assets	$ 98,619	$ 23,714	$ 97,515	$ 18,176

The Company recorded $5.5 million, $5.7 million and $5.5 million of amortization for the years ended December 31, 2009, 2008 and 2007, respectively.

Customer relationships, product technology and patents are amortized over their useful lives ranging from 8 to 16 years. The weighted average estimated useful life of intangible assets subject to amortization is approximately 11 years.

The estimated amortization expense for intangible assets is approximately $5.5 million in each of the next five years and then $16.3 million thereafter.

In 2008 and 2009, as part of the annual goodwill impairment assessment, the Company estimated the fair value of each of the Company s reporting units using an income approach. The Company forecasted future cash flows by reporting unit for each of the next five years and applied a long-term growth rate to the final year of forecasted cash flows.

As a result of the December 31, 2008 goodwill impairment analysis, the Company recorded a goodwill impairment charge of $31.8 million at the TB Wood s, Huco and Warner Linear reporting units. Due to prevailing market conditions at the time of the acquisitions of these three reporting units, the purchase price paid as consideration for these three acquisitions required a higher premium when compared to the prior 2004 Colfax acquisition and therefore created higher goodwill at these reporting units.

The Company did not identify a goodwill impairment in 2009.

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7. Warranty Costs

The wholly-owned subsidiaries of Altra Industrial Motion manufacture various products. The contractual warranty period generally ranges from three months to thirty-six months based on the product and application of the product. Estimated expenses related to product warranties are accrued at the time products are sold to customers. Estimates are established using historical information as to the nature, frequency and average costs of warranty claims. Changes in the carrying amount of accrued product warranty costs for the year ended December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Balance at beginning of period	$ 4,254	$ 4,098	$ 2,083
Accrued current period warranty costs	1,894	2,919	2,310
Payments and adjustments	(2,101)	(2,763)	(295)
Balance at end of period	$ 4,047	$ 4,254	$ 4,098

8. Income Taxes

Income (loss) from continuing operations before taxes by domestic and foreign locations consists of the following:

	December 31, 2009	December 31, 2008	December 31, 2007
Domestic	$ (5,711)	$ 2,324	$ 10,190
Non-U.S.	1,033	21,125	11,479
Total	$ (4,678)	$ 23,449	$ 21,669

The components of the provision for income taxes consist of the following:

	December 31, 2009	December 31, 2008	December 31, 2007
Current:			
Federal	$ (2,182)	$ 8,511	$ 781
State	314	212	(230)

Non-U.S.		1,308		6,607		2,202
	$	(560)	$	15,330	$	2,753
Deferred:						
Federal	$	(1,279)	$	128	$	4,988
State		(528)		200		456
Non-U.S.		3		1,073		11
		(1,804)		1,401		5,455
Provision for income taxes	$	(2,364)	$	16,731	$	8,208

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A reconciliation from the federal statutory rate to the Company s effective tax rate for income taxes from continuing operations is as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Tax at U.S. federal income tax rate	$ (1,637)	$ 8,209	$ 7,584
State taxes, net of federal income tax effect	(617)	486	306
Change in tax rate	(19)	9	(750)
Foreign taxes	975	1,091	1,761
Adjustments to accrued income tax liabilities and uncertain tax positions	(1,487)	505	397
Valuation allowances	1,726	316	
Interest	(1,434)	(1,831)	(1,365)
Goodwill impairment		8,061	
Other	129	(115)	275
Provision for income taxes	$ (2,364)	$ 16,731	$ 8,208

The Company adopted the provisions of ASC 740-25, formerly known as FASB interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB 109 (FIN 48), at the beginning of fiscal 2007, which resulted in a decrease of approximately $0.2 million to the December 31, 2006 retained earning balance. FIN 48 provides a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

A reconciliation of the gross amount of unrecognized tax benefits excluding accrued interest and penalties is as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Balance at beginning of period	$ 6,213	$ 5,583	$ 922
Increases related to prior year tax positions	1,767	2,134	1,916
Increases related to acquisitions			3,581
Decreases related to prior year tax positions		(46)	(1,970)
Increases related to current year tax positions	87	72	1,785
Settlements	(33)	(398)	
Lapse of statute of limitations	(658)	(1,132)	(651)
Balance at end of period	$ 7,376	$ 6,213	$ 5,583

At December 31, 2009, the Company had unrecognized tax benefits of $9.7 million. If recognized, $9.2 million would reduce the Company s effective tax rate and $0.5 million would reduce deferred tax assets resulting in no impact to our effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statement of operations. The Company accrued interest and penalties of $0.4 million, $1.4 million and $1.7 million during the years ended December 31, 2009, 2008 and 2007, respectively. The total amount of interest and penalties related to uncertain tax positions at December 31, 2009, 2008 and 2007 was $3.5 million, $3.1 million and $1.7 million, respectively. We do not expect the amount of unrecognized tax benefit disclosed above to change significantly over the next 12 months.

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The Company and its subsidiaries file a consolidated federal income tax return in the United States as well as consolidated and separate income tax returns in various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in all of these jurisdictions. With the exception of certain state and non U.S. jurisdictions, the Company is no longer subject to income tax examinations for the tax years prior to 2005 in these major jurisdictions. Additionally, the Company has indemnification agreements with the sellers of the Colfax PTH, Kilian and Hay Hall entities, which provides for reimbursement to the Company for payments made in satisfaction of tax liabilities relating to pre-acquisition periods.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	2009	2008
Deferred tax assets:		
Post-retirement obligations	$ 2,502	$ 4,538
Goodwill	3,550	5,112
Tax credits	2,781	
Expenses not currently deductible	3,585	3,464
Net operating loss carry forward	11,369	5,424
Other	1,034	186
Total deferred tax assets	24,821	18,724
Valuation allowance for deferred tax assets	(8,692)	(5,610)
Net deferred tax assets	16,129	13,114
Deferred tax liabilities:		
Property, plant and equipment	16,257	15,279
Intangible assets	16,927	18,035
Other	1,327	1,515
Total deferred tax liabilities	34,511	34,829
Net deferred tax liabilities	$ 18,382	$ 21,715

At December 31, 2009, the Company had federal net operating loss (NOL) carryforwards of $12.4 million, which expire in 2029, state NOL carryforwards of $33.8 million, which expire between 2014 and 2029, and non U.S. NOL carryforwards of $17.9 million, of which $17.5 million have an unlimited carryforward period and the remaining $0.4 million expire between 2019 and 2027. The NOL carryforwards available are subject to limitations on their annual usage. The Company also has federal and state tax credits of $2.8 million available to reduce future income taxes that expire between 2013 and 2029.

Valuation allowances are established for deferred tax assets that management believes may not be realized. The Company continually reviews the adequacy of the valuation allowance and recognizes tax benefits only as reassessments indicate that it is more likely than not the benefits will be realized. A valuation allowance of $8.7 million and $0.8 million as of December 31, 2009 and 2008, respectively, have been established due to the uncertainty of realizing the benefits of these NOL carryforwards and tax credits.

A provision has not been made for U.S. or additional non-U.S. taxes on $13.5 million of undistributed earnings of international subsidiaries that could be subject to taxation if remitted to the U.S. because the

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Company plans to keep these amounts permanently reinvested outside the U.S. except for instances where the Company can remit such earnings to the U.S. without an associated net tax cost.

9. Pension and Other Employee Benefits

Defined Benefit (Pension) and Postretirement Benefit Plans

The Company sponsors various defined benefit (pension) and postretirement (medical and life insurance coverage) plans for certain, primarily unionized, active employees (those in the employment of the Company at or hired since November 30, 2004).

The following tables represent the reconciliation of the benefit obligation, fair value of plan assets and funded status of the respective defined benefit (pension) and postretirement benefit plans as of December 31, 2009 and 2008:

	Pension Benefits		Other Benefits	
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2008
Change in benefit obligation:				
Obligation at beginning of period	$ 26,676	$ 28,011	$ 2,583	$ 3,482
Service cost	111	239	39	58
Interest cost	1,418	1,561	118	213
Curtailments, settlements and special termination benefits			(1,467)	(1,029)
Actuarial (gains) losses	(1,681)	(2,240)	(623)	224
Foreign exchange effect	66	(133)		
Benefits paid	(1,027)	(762)	(137)	(365)
Obligation at end of period	$ 25,563	$ 26,676	$ 513	$ 2,583
Change in plan assets:				
Fair value of plan assets, beginning of period	$ 14,822	$ 14,580	$	$
Actual return on plan assets	785	(2,943)		
Employer contributions	1,121	3,947	137	365
Benefits paid	(1,027)	(762)	(137)	(365)
Fair value of plan assets, end of period	$ 15,701	$ 14,822	$	$
Funded status	$ (9,862)	$ (11,854)	$ (513)	$ (2,583)

Amounts Recognized in the balance sheet consist of:								
Non current assets	$		$				$	
Current liabilities						(108)		(313)
Non-current liabilities		(9,862)		(11,854)		(405)		(2,270)
Total	$	(9,862)	$	(11,854)	$	(513)	$	(2,583)

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For all pension plans presented above, the accumulated and projected benefit obligations exceed the fair value of plan assets. The accumulated benefit obligation at December 31, 2009 and 2008 was $25.6 million and $26.7 million, respectively. Non-U.S. pension liabilities recognized in the amounts presented above are $3.3 million and $2.9 million at December 31, 2009 and 2008, respectively.

Included in accumulated other comprehensive loss at December 31, 2009 and 2008, is $0.5 million (net of $0.3 million in taxes) and $2.0 million (net of $1.2 million in taxes), respectively, of unrecognized actuarial losses that have not yet been recognized in net periodic pension cost.

The weighted average discount rate used in the computation of the respective benefit obligations at December 31, 2009 and 2008, presented above are as follows:

	2009	2008
Pension benefits	5.75%	6.25%
Other postretirement benefits	5.75%	6.25%

The following table represents the components of the net periodic benefit cost associated with the respective plans:

	Pension Benefits			Other Benefits		
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Service cost	$ 111	$ 239	$ 325	$ 39	$ 58	$ 72
Interest cost	1,418	1,561	1,452	118	213	175
Recognized net actuarial loss				(80)	(25)	
Expected return on plan assets	(1,254)	(1,374)	(1,066)			
Settlement/Curtailment/ Special Termination Benefit			2,899	(1,467)	(924)	(154)
Amortization	(22)	(35)	(4)	(939)	(975)	(1,022)
Net periodic benefit (income) cost	$ 253	$ 391	$ 3,606	$ (2,329)	$ (1,653)	$ (929)

The key economic assumptions used in the computation of the respective net periodic benefit cost for the periods presented above are as follows:

	Pension Benefits			Postretirement Benefits		
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Discount rate	6.25%	6.25%	5.75%	6.25%	6.25%	5.75%
Expected return on plan assets	8.5%	8.5%	8.5%	N/A	N/A	N/A
Compensation rate increase	N/A	N/A	N/A	N/A	N/A	N/A

The expected long-term rate of return on assets assumption is 8.5%. The assumption represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption reflects expectations regarding future rates of return for the

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investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Fair Value of Plan Assets

The fair value of the Company s pension plan assets at December 31, 2009 by asset category is as follows:

	2009 Quoted Prices in Active Markets for Identical Assets (Level 1)
Asset Category	
Equity	
U.S. companies	$ 2,749
International companies	397
Total equity	3,146
Fixed income	
U.S. government	570
Corporate bonds	
Investment grade	8,182
High yield	1,121
Other credit	2,114
Total fixed income	11,987
Cash and cash equivalents	568
Total assets at fair value	$ 15,701

The asset allocations for the Company s funded retirement plan at December 31, 2009 and 2008, respectively, and the target allocation for 2009, by asset category, are as follows:

	Allocation Percentage of Plan Assets at Year-End		
	2009 Actual	2009 Target	2008 Actual
Asset Category			

Equity securities	20%	25%	8%
Fixed income securities	76%	73%	76%
Cash and cash equivalents	4%	2%	16%

The investment strategy is to achieve a rate of return on the plan s assets that, over the long-term, will fund the plan s benefit payments and will provide for other required amounts in a manner that satisfies all fiduciary responsibilities. A determinant of the plan s return is the asset allocation policy. The plan s asset mix will be reviewed by the Company periodically, but at least quarterly, to rebalance within the target guidelines. The Company will also periodically review investment managers to determine if the respective manager has performed satisfactorily when compared to the defined objectives, similarly invested portfolios, and specific market indices.

For measurement of the postretirement benefit obligations and net periodic benefit costs, an annual rate of increase in the per capita cost of covered health care benefits of approximately 9.5% was assumed. This rate was assumed to decrease gradually to 5%. The assumed health care trends are a significant

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component of the postretirement benefit costs. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on the December 31, 2009 service and interest cost components	$ 30	$ (24)
Effect on the December 31, 2009 post-retirement benefit obligation	$ 5	$ (5)

Expected cash flows

The following table provides the amounts of expected benefit payments, which are made from the plans assets and includes the participants share of the costs, which is funded by participant contributions. The amounts in the table are actuarially determined and reflect the Company s best estimate given its current knowledge; actual amounts could be materially different.

	Pension Benefits	Postretirement Benefits
Expected benefit payments (from plan assets)		
2010	$ 939	$ 107
2011	1,175	111
2012	1,278	74
2013	1,354	27
2014	1,529	7
Thereafter	8,455	53

The Company contributed $0.9 million to its pension plan in 2009. The Company has minimum cash funding requirements associated with its pension plan which are estimated to be zero in 2010, $1.2 million in 2011, $1.2 million in 2012, $0.6 million in 2013 and $1.2 million in 2014.

One of the Company s four U.S. collective bargaining agreements expired in September 2007. In October 2007, negotiations with the union covered by that agreement resulted in a provision to close the Erie, Pennsylvania plant by December 2008 through the transfer of manufacturing equipment to other existing facilities and a ratable reduction in headcount. The plant closure triggered a special retirement pension feature and plan curtailment.

Under the special retirement pension feature, plan participants became eligible for pension benefits at an age earlier than the normal retirement feature would allow, provided that service is broken by permanent shutdown, layoff or disability. The pension benefit was increased by a special supplemental benefit payment on a monthly basis and a special one time payment at the time of retirement. The curtailment and special termination benefits were approximately $2.9 million for the year ended December 31, 2007.

In August 2008, an announcement was made that the Company would no longer close the plant in Erie, Pennsylvania, and would continue to employ those employees that had not previously been terminated and begin to negotiate a new collective bargaining agreement for the remaining employees. As a result of this announcement, the remaining employees were no longer eligible for the special retirement pension feature under the pension plan. An adjustment to the minimum pension liability was recorded in accumulated other comprehensive income, and will be amortized over the average expected remaining life expectancy of the participants of the plan.

Also, in connection with the union renegotiation, the post retirement benefit plan for employees at that location have been terminated for all eligible employees who had not retired, or given notice to retire in

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2007. As employees terminated their employment, the Company recognized a non-cash gain of $0.3 million and $0.2 million in the year ended 2008 and 2007, respectively.

In September 2008, the Company reached a new collective bargaining agreement with the labor union at the manufacturing facility in Warren, Michigan. The new collective bargaining agreement eliminated post-retirement healthcare benefits for all employees and retirees. This resulted in a settlement gain of $0.6 million in the year ended 2008.

In March 2009, the Company reached a new collective bargaining agreement with the union at its Erie, Pennsylvania facility. One of the provisions of the new agreement eliminates benefits that employees were entitled to receive through the applicable other post employment benefit plan (OPEB). OPEB benefits will no longer be available to retired or active employees. This resulted in an OPEB settlement gain of $1.5 million in the year ended December 31, 2009. In addition, no additional years of credited service will be accrued on the defined benefit pension plan effective February 28, 2009. There was no curtailment gain or loss as a result of the change in the pension plan.

Defined Contribution Plans

At November 30, 2004, the Company established a defined contribution plan for substantially all full-time U.S.-based employees.

Under the terms of the Company s plan, eligible employees may contribute from one to fifty percent of their compensation to the plan on a pre-tax basis. During 2009, the Company made matching contributions equal to half of the first six percent of salary contributed by each employee and makes a unilateral contribution of three percent of all employees salary (including non-contributing employees). Effective February 2009, the Company s matching contribution was temporarily suspended and effective July 2009, the Company s unilateral contribution was suspended. The Company s expense associated with the defined contribution plan was $1.0 million and $1.8 million during the years ended December 31, 2009 and 2008, respectively.

10. Long-Term Debt

	December 31, 2009	December 31, 2008
Debt:		
Revolving Credit Agreement	$	$
Old Revolving Credit Agreement		
Old TB Wood s revolving credit agreement		6,000
Overdraft agreements		
Senior Secured Notes	210,000	
Old Senior Secured Notes		242,500
Old Senior Notes		4,706
Variable rate demand revenue bonds	5,300	5,300

Mortgages		3,144		2,257
Capital leases		1,821		2,672
Less: debt discount and premium, net of accretion		(2,716)		(1,912)
Total long-term debt	$	217,549	$	261,523

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Senior Secured Notes

In 2009, the Company issued 81/8% Senior Secured Notes (the Senior Secured Notes) with a face value of $210 million. Interest on the Senior Secured Notes is payable semiannually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2010 at an annual rate of 81/8%. The effective interest rate of the Senior Secured Notes was approximately 8.75% after consideration of the $6.5 million of deferred financing costs (included in other assets). The principal balance of the Senior Secured Notes matures on December 1, 2016.

The Senior Secured Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing the Revolving Credit Agreement, on substantially all of the Company s assets and those of its domestic subsidiaries. The indenture governing the Senior Secured Notes contains covenants which restrict our subsidiaries. These restrictions limit or prohibit, among other things, their ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets.

Tender Offer

The Company used the proceeds of the offering of the Senior Secured Notes to repurchase or redeem the Old Senior Secured Notes. On November 10, 2009, Altra Industrial commenced a cash tender offer to repurchase any and all of its outstanding 9% Senior Secured Notes (the Old Senior Secured Notes) as of the date thereof at a price equal to $1,000.00 per $1,000 principal amount of notes tendered, plus an early tender premium of $25.00 per $1,000 principal amount of notes tendered, payable on notes tendered before the early tender deadline. Holders who tendered their Old Senior Secured Notes also agreed to waive any rights to written notice of redemption. With respect to any Old Senior Secured Notes that were not tendered, Altra Holdings redeemed all Old Senior Secured Notes that remained outstanding after the expiration of the tender offer by issuing a notice of redemption on the early tender deadline. On the early tender deadline, Altra Holdings satisfied and discharged all of its obligations under the indenture governing the Old Senior Secured Notes by depositing funds with the depositary in an amount sufficient to pay and discharge any remaining indebtedness on the Old Senior Secured Notes upon the consummation of the tender offer.

Revolving Credit Agreement

Concurrently with the closing of the offering of the Senior Secured Notes, Altra Industrial entered into a new senior secured credit facility, (the Revolving Credit Agreement), that provides for borrowing capacity in an initial amount of up to $50.0 million (subject to adjustment pursuant to a borrowing base and subject to increase from time to time in accordance with the terms of the credit facility). The Revolving Credit Agreement replaced Altra Industrial s then existing senior secured credit facility, (the Old Revolving Credit Agreement), and the TB Wood s existing credit facility, Old TB Wood s Revolving Credit Agreement . The Company may use up to $30.0 million of its availability under the Revolving Credit Agreement for standby letters of credit issued on its behalf, the issuance of which will reduce the amount of borrowings that would otherwise be available to the Company. The Company may re-borrow any amounts paid to reduce the amount of outstanding borrowings; however, all borrowings under the Revolving Credit Agreement must be repaid in full as of November 25, 2012.

There were no borrowings under the Revolving Credit Agreement at December 31, 2009, however, the lender had issued $10.4 million of outstanding letters of credit on behalf of the Company.

Altra Industrial and all of its domestic subsidiaries are borrowers, or Borrowers , under the Revolving Credit Agreement. Obligations of the other Borrowers under the Revolving Credit Agreement and the guarantees are secured by substantially all of Borrowers assets and the assets of each of our existing and

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subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the Revolving Credit Agreement (with such subsidiaries being referred to as the U.S. subsidiary guarantors), including but not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by Borrowers or any U.S. subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each Borrower and U.S. subsidiary guarantor, including accounts receivable, inventory, equipment, general intangibles, investment property, intellectual property, certain real property, and cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

An event of default under the Revolving Credit Agreement would occur in connection with a change of control, among other things, if: (i) Altra Industrial ceases to own or control 100% of each of its borrower subsidiaries, or (ii) a change of control occurs under the Senior Secured Notes, or any other subordinated indebtedness.

An event of default under the Revolving Credit Agreement would also occur if an event of default occurs under the indentures governing the Senior Secured Notes or if there is a default under any other indebtedness of any borrower may have involving an aggregate amount of $10 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender there under to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the Revolving Credit Agreement if any of the indebtedness under the Revolving Credit Agreement ceases with limited exception to be secured by a full lien on the assets of Borrowers and guarantors.

Old Revolving Credit Agreement

Prior to entering into the Revolving Credit Agreement, the Company maintained a $30 million revolving borrowings facility with a commercial bank (the Old Revolving Credit Agreement) through its wholly owned subsidiary Altra Industrial. The Old Revolving Credit Agreement was subject to certain limitations resulting from the requirement of Altra Industrial to maintain certain levels of collateralized assets, as defined in the Old Revolving Credit Agreement. Altra Industrial was in compliance with all covenant requirements associated with the Old Revolving Credit Agreement as of the date of refinancing.

Old TB Wood s Revolving Credit Agreement

As part of the TB Wood s acquisition in 2007, the Company refinanced $13.0 million of debt associated with TB Wood s line of credit. As of December 31, 2008, there was $6.0 million of debt outstanding under the TB Wood s Old Credit Agreement. As of December 31, 2008 there was $6.0 million of outstanding letters of credit. In connection with the refinancing transaction described above, the Old TB Wood s Revolving Credit Agreement was paid in full.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of December 31, 2009 or 2008 under any of the overdraft agreements.

Old Senior Secured Notes

On November 30, 2004, Altra Industrial issued the Old Senior Secured Notes, with a face value of $165.0 million. Interest on the Old Senior Secured Notes is payable semiannually, in arrears, on June 1 and December 1 of each year, beginning June 1, 2005, at an annual rate of 9%.

In connection with the acquisition of TB Wood s on April 5, 2007, Altra Industrial completed a follow-on offering issuing an additional $105.0 million of the Old Senior Secured Notes. The additional $105.0 million had the same terms and conditions as the previously issued Old Senior Secured Notes. The

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effective interest rate on the Old Senior Secured Notes, after the follow-on offering was approximately 9.6% after consideration of the amortization of $5.6 million net discount and $6.5 million of deferred financing costs.

During 2008, the Company retired $27.5 million aggregate principal amount of the outstanding Old Senior Secured Notes at redemption prices between 102.0% and 104.4% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest. In connection with the redemption, the Company incurred $0.8 million of pre-payment premium. In addition, the Company wrote-off $0.4 million of deferred financing costs and $0.3 million of discount/premium.

During 2009, Altra Industrial retired all of the outstanding Old Senior Secured Notes. In connection with the pay-down, Altra Industrial incurred $5.1 million of pre-payment premiums and wrote-off $3.2 million of deferred financing costs, and $1.9 million of discount/premium which was recorded as a component of interest expense.

The Old Senior Secured Notes were guaranteed by Altra Industrial s U.S. domestic subsidiaries and were secured by a second priority lien, subject to first priority liens securing the Old Revolving Credit Agreement, on substantially all of Altra Industrial s assets. The Old Senior Secured Notes contained numerous terms, covenants and conditions, which imposed substantial limitations on Altra Industrial.

Old Senior Notes

On February 8, 2006, Altra Industrial issued the Old Senior Notes, with a face value of £33 million. Interest on the Old Senior Notes was payable semiannually, in arrears, on August 15 and February 15 of each year, beginning August 15, 2006, at an annual rate of 11.25%. The effective interest rate on the Old Senior Notes was approximately 12.7%, after consideration of the $0.7 million of deferred financing costs (included in other assets). The Old Senior Notes mature on February 13, 2013.

During 2008, Altra Industrial retired £0.7 million, or $1.3 million, aggregate principal amount of the outstanding Old Senior Notes at a redemption price of 106.0% of the principal amount of the Old Senior Notes, plus accrued and unpaid interest. In connection with the redemption, Altra Industrial incurred $0.1 million of pre-payment premium and wrote-off $0.1 million of deferred financing costs.

During 2009, Altra Industrial retired the remaining principal balance of the Old Senior Notes, of £3.3 million or $5.0 million of principal amount, plus accrued and unpaid interest. In connection with the redemption, Altra Industrial incurred $0.2 million of pre-payment premium and wrote-off the entire remaining balance of $0.2 million of deferred financing fees, which is recorded as interest expense in the condensed consolidated statement of income (loss).The Old Senior Notes were guaranteed on a senior unsecured basis by Altra Industrial s U.S. domestic subsidiaries. The Old Senior Notes contained numerous terms, covenants and conditions, which imposed substantial limitations on the Company.

Variable Rate Demand Revenue Bonds

In connection with the acquisition of TB Wood s, the Company assumed obligations for certain Variable Rate Demand Revenue Bonds outstanding as of the acquisition date. TB Wood s had assumed obligations for approximately

$3.0 million and $2.3 million of Variable Rate Demand Revenue Bonds issued under the authority of the industrial development corporations of the City of San Marcos, Texas and City of Chattanooga, Tennessee, respectively. These bonds bear variable interest rates (less than 1% as of December 31, 2009) and mature in April 2024 and April 2022, respectively. The bonds were issued to finance production facilities for TB Wood s manufacturing operations in those cities, and are secured by letters of credit issued under the terms of the Revolving Credit Agreement. The Company currently is leasing the facility in Chattanooga, Tennessee to Vacon, the purchaser of the Electronics Division.

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Mortgage

In June 2006, the Company entered into a mortgage on its building in Heidelberg, Germany with a local bank. In 2009, the Company re-financed the mortgage. The Company borrowed an additional 1.0 million. The new mortgage has an interest rate of 3.5% and is payable in monthly installments over the next six years years. As of December 31, 2009 and 2008, the mortgage has a remaining principal of 2.2 million or $3.1 million, and 1.6 million or $2.3 million, respectively.

Capital Leases

The Company leases certain equipment under capital lease arrangements, whose obligations are included in both short-term and long-term debt. Capital lease obligations amounted to approximately $1.8 million and $2.7 million at December 31, 2009 and 2008, respectively. Assets under capital leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

11. Stockholders Equity

Common Stock

In December 2006, the Company completed its initial public offering. The Company offered 3,333,334 shares of its common stock, $0.001 par value per share and selling stockholders offered 6,666,666 shares of common stock. Proceeds to the Company after the underwriting discount and issuance cost were $39.3 million.

In June 2007, the Company closed its secondary public offering of 12,650,000 shares of its common stock, which included 1,650,000 shares sold as a result of the underwriters exercise of their overallotment option in full at closing. The Company received proceeds of $48.7 million, net of issuance costs. In the offering the Company sold 3,178,494 shares and certain selling stockholders, including Genstar Capital, the Company s largest stockholder, sold an aggregate of 9,471,506 shares.

As of December 31, 2009, there were 90,000,000 shares of common stock authorized and 26,057,993 outstanding.

Preferred Stock

On December 20, 2006, the Company amended and restated its certificate of incorporation authorizing 10,000,000 shares of undesignated Preferred Stock (Preferred Stock). The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have such designations and powers, preferences, and rights, and qualifications, limitations and restrictions as determined by the Company s Board of Directors. There was no Preferred Stock issued or outstanding at December 31, 2009 or 2008.

Restricted Common Stock

The Company s Board of Directors established the 2004 Equity Incentive Plan (as amended, the Plan) that provides for various forms of stock based compensation to independent directors, officers and senior-level employees of the

Company. The restricted shares issued pursuant to the plan generally vest ratably over a period ranging from immediately to five years from the date of grant, provided, that the vesting of the restricted shares may accelerate upon the occurrence of certain liquidity events, if approved by the Board of Directors in connection with the transactions. Common stock awarded under the Plan is generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements. The shares are valued based on the share price on the date of grant.

The Plan permits the Company to grant restricted stock to key employees and other persons who make significant contributions to the success of the Company. The restrictions and vesting schedule for restricted stock granted under the Plan are determined by the Personnel and Compensation Committee of the

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Board of Directors. Compensation expense recorded (in selling, general, and administrative expense) during the year ended December 31, 2009, 2008 and 2007 was $3.2 million ($2.2 million, net of tax), $2.0 million ($1.3 million, net of tax) and $2.0 million ($1.5 million, net of tax), respectively. Compensation expense is recognized on a straight-line basis over the service period.

The following table sets forth the activity of the Company s restricted stock grants to date:

	Shares		Weighted-average grant date fair value
Restricted shares unvested January 1, 2009	797,714	$	5.53
Shares granted	284,941	$	6.96
Shares forfeited	(13,649)	$	7.34
Shares for which restrictions lapsed	(508,925)	$	5.15
Restricted shares unvested December 31, 2009	560,081	$	6.55

Total remaining unrecognized compensation cost is approximately $2.3 million as of December 31, 2009, and will be recognized over a weighted average remaining period of two years. The fair market value of the shares in which the restrictions have lapsed during 2009 was $4.6 million.

Related-Party Transactions

Joy Global Sales

One of the Company s directors had been an executive of Joy Global, Inc. until his resignation from the executive position on March 3, 2008. The Company sold approximately $5.4 million to divisions of Joy Global, Inc. for the year ended December 31, 2007. Other than his former position as an executive of Joy Global, Inc., the Company s director has no interest in sales transactions between the Company and Joy Global, Inc.

13. Concentrations of Credit, Segment Data and Workforce

Financial instruments, which are potentially subject to counter party performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within thirty days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management s expectations. No customer represented greater than 10% of total sales for the year ended December 31, 2009, 2008 and 2007.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments. Cash and investments are held by international and well established financial institutions.

The Company has five operating segments that are regularly reviewed by our chief operating decision maker. Each of these operating segments represents a unit that produces mechanical power transmission products. The Company aggregates all of the operating segments into one reportable segment. The five operating segments have similar long-term average gross profit margins. All of our products are sold by one global sales force and we have one global marketing function. Strategic markets and industries are determined for the entire company and then targeted by the brands. All of our operating segments have common manufacturing and production processes. Each segment includes a machine shop which uses similar equipment and manufacturing techniques. Each of our segments uses common raw materials, such as aluminum, steel and copper. The materials are purchased and procurement contracts are negotiated by one global purchasing function.

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We serve the general industrial market by selling to original equipment manufacturers (OEM) and distributors. Our OEM and distributor customers serve the general industrial market. Resource allocation decisions such as capital expenditure requirements and headcount requirements are made at a consolidated level and allocated to the individual operating segments.

Discrete financial information is not available by product line at the level necessary for management to assess performance or make resource allocation decisions.

Net sales to third parties and property, plant and equipment by geographic region are as follows:

	Net Sales			Property, Plant and Equipment	
	Year Ended				
	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2009	December 31, 2008
North America (primarily U.S.)	$ 326,872	$ 451,235	$ 424,031	$ 79,816	$ 82,577
Europe	100,345	154,463	137,908	22,904	24,552
Asia and other	25,629	29,638	22,437	2,883	3,091
Total	$ 452,846	$ 635,336	$ 584,376	$ 105,603	$ 110,220

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for property, plant and equipment are based on the location of the entity, which holds such assets. The net assets of our foreign subsidiaries at December 31, 2009 and 2008 were $76.8 million and $73.5 million, respectively.

The Company has not provided specific product line sales as our general purpose financial statements do not allow us to readily determine groups of similar product sales.

Approximately 17.1% of the Company s labor force (11.1% and 40.8% in the United States and Europe, respectively) is represented by collective bargaining agreements.

14. Restructuring, Asset Impairment and Transition Expenses

In 2009, the Company adopted a new restructuring plan (2009 Altra Plan) to improve the utilization of the manufacturing infrastructure and to realign the business with the current economic conditions. The 2009 Altra Plan is intended to improve operational efficiency by reducing headcount and consolidating facilities.

During 2007, the Company adopted two restructuring programs. The first was intended to improve operational efficiency by reducing headcount, consolidating its operating facilities and relocating manufacturing to lower cost areas (the Altra Plan). The second was related to the acquisition of TB Wood s and was intended to reduce duplicate staffing and consolidate facilities (the TB Wood s Plan). The TB Wood s Plan was initially formulated at the time of the TB Wood s acquisition and therefore an accrual was recorded as part of purchase price accounting. The total restructuring charges for the year ended December 31, 2008 were $2.3 million, primarily comprised of costs associated with the termination of certain individuals whose positions with the Company were determined to be redundant. In 2007, the total restructuring charges of $2.4 million were primarily comprised of costs associated with the relocation of certain manufacturing operations, including third party costs for transporting manufacturing equipment related to the consolidation of facilities and relocating personnel. These moving and relocation costs are recognized in the period in which the liability is incurred. There were no costs incurred in 2009 under the Altra Plan or the TB Wood s Plan.

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The Company s total restructuring expense, by major component for the years ended December 31, 2009 and December 31, 2008, were as follows:

	Year Ended December 31, 2009	Year Ended December 31, 2008			Year Ended December 31, 2007		
	2009 Altra Plan	Altra Plan	TB Wood s Plan	Total	Altra Plan	TB Wood s Plan	Total
Expenses							
Moving and relocation	$ 332	$ 563	$ 89	$ 652	$ 1,055	$ 267	$ 1,322
Severance	4,213	1,471		1,471	718		718
Other	232				144		144
Total cash expenses	4,777	2,034	89	2,123	1,917	267	2,040
Loss on disposal of fixed assets	2,509	187		187	215		215
Total restructuring expenses	$ 7,286	$ 2,221	$ 89	$ 2,310	$ 2,132	$ 267	$ 2,399

	All Plans
Balance at December 31, 2007	$ 1,478
Restructuring expense incurred	2,310
Cash payments	(2,280)
Non-cash loss on impairment of fixed assets	(187)
Balance at December 31, 2008	$ 1,321
Restructuring expense incurred	7,286
Cash payments	(5,183)
Non-cash loss on impairment of fixed assets	(2,509)
Balance at December 31, 2009	$ 915

On April 7, 2009, the Company announced that it would be closing its facility in Mt. Pleasant, Michigan and relocating the manufacturing to certain of the Company s other facilities. In connection with this decision, the Company completed an impairment analysis. The facility which had a carrying value of $1.4 million was written down to the fair value of $0.7 million, resulting in an impairment charge of $0.7 million. The Company estimated the fair value using observable inputs (level 2) by reviewing sale prices of comparable buildings in the Mt. Pleasant, Michigan area. The relocation is expected to be completed by the end of 2009.

On July 7, 2009, the Company announced that it would be closing its manufacturing facility in South Beloit, Illinois and relocating the manufacturing operations to certain of the Company s other facilities. In connection with this decision, the Company completed an impairment analysis. The facility which had a carrying value of $2.1 million was written down to the fair value of $1.5 million, resulting in an impairment charge of $0.6 million. The Company estimated the fair value using observable inputs (level 2). The Company reviewed sale prices of comparable buildings in the South Beloit, Illinois area. The relocation is expected to be completed by the first quarter of 2010. In September 2009, the Company negotiated a plant closing agreement with the local union at the South Beloit facility. The Company has agreed to pay approximately $0.7 million in severance and performance bonuses to those employees who remain employed through their termination date. The Company expects to pay these amounts in the fourth quarter of 2009 through the first quarter of 2010.

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
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The Company expects to incur between an additional $2.0 million and $3.0 million in total restructuring costs, of which severance will account for approximately $1.5 million and the remainder will relate to moving and relocation costs.

15. Commitments and Contingencies

Minimum Lease Obligations

The Company leases certain offices, warehouses, manufacturing facilities, automobiles and equipment with various terms that range from a month to month basis to ten year terms and which, generally, include renewal provisions. Future minimum rent obligations under non-cancelable operating and capital leases are as follows:

Year ending December 31:	**Operating Leases**	**Capital Leases**
2010	$ 2,635	$ 882
2011	4,086	770
2012	3,667	317
2013	2,227	
2014	1,635	
Thereafter	2,596	
Total lease obligations	$ 16,846	$ 1,969
Less amounts representing interest		(148)
Present value of minimum capital lease obligations		$ 1,821

Net rent expense under operating leases for the years ended December 31, 2009, 2008 and 2007 was approximately $4.8 million, $5.5 million and $6.8 million, respectively.

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. None of these legal proceedings are expected to have a material adverse effect on the results of operations, cash flows, or financial condition of the Company. With respect to these proceedings, management believes that it will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the results of operations, cash flows, or financial condition of the Company. As of December 31, 2009 and 2008, there were no product liability claims for which management believed a loss was probable. As a result, no amounts were accrued in the accompanying consolidated balance sheets for product liability losses at those dates.

Although the Company is indemnified under the terms of certain acquisition agreements for pre-existing matters up to agreed upon limits, there can be no assurance that the counter-party to such agreements will agree or be able to make payments in the event of future indemnity claims.

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16. Unaudited Quarterly Results of Operations:

Year ending December 31, 2009

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net Sales	$ 111,663	$ 104,766	$ 111,877	$ 124,540
Gross Profit	32,788	28,572	29,458	32,203
Net income (loss) from continuing operations	(2,614)	648	(1,766)	1,418
Net income (loss)	(2,614)	648	(1,766)	1,418
Earnings per share Basic				
Net income (loss) from continuing operations	$ (0.10)	$ 0.02	$ (0.07)	$ 0.05
Net income (loss)	$ (0.10)	$ 0.02	$ (0.07)	$ 0.05
Earnings per share Diluted				
Net income (loss) from continuing operations	$ (0.10)	$ 0.02	$ (0.07)	$ 0.05
Net income (loss)	$ (0.10)	$ 0.02	$ (0.07)	$ 0.05

Year ending December 31, 2008

During the fourth quarter of 2008, the Company recorded a $31.8 million goodwill impairment ($28.4, net of tax).

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net Sales	$ 144,813	$ 159,448	$ 167,893	$ 163,182
Gross Profit	42,086	45,821	50,387	47,798
Net income (loss) from continuing operations	(20,743)	8,635	9,869	8,957
Net income (loss) from discontinued operations		173		(397)
Net income (loss)	(20,743)	8,808	9,869	8,560
Earnings per share Basic				
Net income (loss) from continuing operations	$ (0.81)	$ 0.34	$ 0.39	$ 0.35
Net income (loss) from discontinued operations	$	$ 0.01	$	$ (0.1)

Net income (loss)	$	(0.81)	$	0.35	$	0.39	$	0.34
Earnings per share Diluted								
Net income (loss) from continuing operations	$	(0.81)	$	0.33	$	0.38	$	0.35
Net income (loss) from discontinued operations	$		$	0.01	$		$	(0.1)
Net income (loss)	$	(0.81)	$	0.34	$	0.38	$	0.34

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17. Guarantor Subsidiaries

All of the Company s direct or indirect 100% owned U.S. domestic subsidiaries are guarantors of the Company s Senior Secured Notes. The following condensed consolidating financial statements present separately the financial position, results of operations, and cash flows for (a) the Company, as parent, (b) the guarantor subsidiaries of the Company consisting of all of the, directly or indirectly, 100% owned U.S. domestic subsidiaries of the Company, (c) the non-guarantor subsidiaries of the Company consisting of all non-domestic subsidiaries of the Company, and (d) eliminations necessary to arrive at the Company s information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under the Securities and Exchange Commission s Regulation S-X, Rule 3-10. Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees are full and unconditional and joint and several.

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
Amounts in thousands (unless otherwise noted)

Condensed Consolidating Balance Sheet

December 31, 2009

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1	$ 19,744	$ 31,752	$	$ 51,497
Trade receivables, less allowance for doubtful accounts		33,966	18,889		52,855
Loans receivable from related parties	214,583			(214,583)	
Inventories		50,931	20,922		71,853
Deferred income taxes		9,087	178		9,265
Assets held for sale					
Income tax receivable	1,192	3,308	254		4,754
Prepaid expenses and other current assets		2,309	1,338		3,647
Total current assets	215,776	119,345	73,333	(214,583)	193,871
Property, plant and equipment, net		74,559	31,044		105,603
Intangible assets, net		58,392	16,513		74,905
Goodwill		58,015	20,817		78,832
Deferred income taxes			679		679
Investment in subs	125,792			(125,792)	
Other non-current assets	6,394	4,816	99		11,309
Total assets	$ 347,962	$ 315,127	$ 142,485	$ (340,375)	$ 465,199
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 76	$ 18,156	$ 9,189	$	$ 27,421
Accrued payroll		7,415	4,718		12,133
Accruals and other current liabilities	1,659	10,711	7,601		19,971
Deferred income taxes			7,275		7,275

Current portion of long-term debt		650	409		1,059
Loans payable to related parties		187,611	26,972	(214,583)	
Total current liabilities	1,735	224,543	56,164	(214,583)	67,859
Long-term debt less current portion and net of unaccreted discount	207,284	6,267	2,939		216,490
Deferred income taxes		17,876	3,175		21,051
Pension liabilities		6,633	3,229		9,862
Other post retirement benefits		405			405
Long-term taxes payables		9,661			9,661
Other long-term liabilities		772	156		928
Total stockholders equity	138,943	48,970	76,822	(125,792)	138,943
Total liabilities and stockholders equity	$ 347,962	$ 315,127	$ 142,485	$ (340,375)	$ 465,199

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
Amounts in thousands (unless otherwise noted)

Condensed Consolidating Balance Sheet

December 31, 2008

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1	$ 24,432	$ 27,640	$	$ 52,073
Trade receivables, less allowance for doubtful accounts		41,051	27,752		68,803
Loans receivable from related parties		37,649		(37,649)	
Inventories		71,304	27,106		98,410
Deferred income taxes		7,923	109		8,032
Assets held for sale		3,515	1,161		4,676
Income tax receivable	1,192	3,688	(2,299)		2,581
Prepaid expenses and other current assets		2,476	1,457		3,933
Total current assets	1,193	192,038	82,926	(37,649)	238,508
Property, plant and equipment, net		77,424	32,796		110,220
Intangible assets, net		62,481	16,858		79,339
Goodwill		58,016	19,481		77,497
Deferred income taxes			495		495
Investment in subs	127,672			(127,672)	
Other non-current assets		7,489	36		7,525
Total assets	$ 128,865	$ 397,448	$ 152,592	$ (165,321)	$ 513,584
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 22,105	$ 11,785	$	$ 33,890
Accrued payroll		9,610	7,165		16,775
Accruals and other current liabilities		12,478	6,277		18,755
Deferred income taxes			6,906		6,906
Current portion of long-term debt		2,925	466		3,391

Loans payable to related parties			37,649	(37,649)	
Total current liabilities		47,118	70,248	(37,649)	79,717
Long-term debt less current portion and net of unaccreted discount and premium		255,933	2,199		258,132
Deferred income taxes		20,822	2,514		23,336
Pension liabilities		8,922	2,932		11,854
Other post retirement benefits		2,270			2,270
Long-term taxes payables		7,976			7,976
Other long-term liabilities		241	1,193		1,434
Total stockholders equity	128,865	54,166	73,506	(127,672)	128,865
Total liabilities and stockholders equity	$ 128,865	$ 397,448	$ 152,592	$ (165,321)	$ 513,584

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
Amounts in thousands (unless otherwise noted)

Condensed Consolidating Statement of Income

	Year Ended December 31, 2009				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 332,311	$ 150,146	$ (29,611)	$ 452,846
Cost of sales		250,857	108,579	(29,611)	329,825
Gross profit		81,454	41,567		123,021
Selling, general and administrative expenses	17	50,999	30,101		81,117
Research and development expenses		3,950	2,311		6,261
Other post employment benefit plan settlement gain		(1,467)			(1,467)
Loss on sale/disposal of assets		142	403		545
Restructuring costs		4,359	2,927		7,286
Income (loss) from operations	(17)	23,471	5,825		29,279
Interest expense, net	1,769	31,109	98		32,976
Other non-operating (income) expense, net		356	625		981
Equity in earnings of subsidiaries	(1,880)			1,880	
Income (loss) from continuing operations before income taxes	(3,666)	(7,994)	5,102	1,880	(4,678)
Provision (benefit) for income taxes	(1,352)	(2,798)	1,786		(2,364)
Income (loss) from continuing operations	(2,314)	(5,198)	3,316	1,880	(2,314)
Net loss from discountinued operations					
Net income (loss)	$ (2,314)	$ (5,198)	$ 3,316	1,880	$ (2,314)

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
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	Year Ended December 31, 2008				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 462,427	$ 222,441	$ (49,532)	$ 635,336
Cost of sales		343,380	155,396	(49,532)	449,244
Gross profit		119,047	67,045		186,092
Selling, general and administrative expenses		63,055	36,130		99,185
Research and development expenses		4,024	2,565		6,589
Other post employment benefit plan settlement gain		(925)			(925)
Goodwill impairment		29,913	1,897		31,810
Loss on sale/disposal of assets		790	794		1,584
Restructuring costs		978	1,332		2,310
Income (loss) from operations		21,212	24,327		45,539
Interest expense, net		28,303	36		28,339
Other non-operating (income) expense, net		(3,405)	(2,844)		(6,249)
Equity in earnings of subsidiaries	6,494			(6,494)	
Income (loss) from continuing operations before income taxes	6,494	(3,686)	27,135	(6,494)	23,449
Provision (benefit) for income taxes		7,505	9,226		16,731
Income (loss) from continuing operations	6,494	(11,191)	17,909	(6,494)	6,718
Net loss from discountinued operations		(224)			(224)
Net income (loss)	$ 6,494	$ (11,415)	$ 17,909	$ (6,494)	$ 6,494

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
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Condensed Consolidating Statement of Income

	Year Ended December 31, 2007				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 430,168	$ 204,181	$ (49,973)	$ 584,376
Cost of sales		319,322	149,760	(49,973)	419,109
Gross profit		110,846	54,421		165,267
Selling, general and administrative expenses	51	57,783	35,377		93,211
Research and development expenses		3,562	2,515		6,077
Restructuring costs		1,776	623		2,399
Other post employment benefit plan settlement loss		2,745			2,745
Loss on sale/disposal of assets					
Income (loss) from operations	(51)	44,980	15,906		60,835
Interest expense, net		38,374	180		38,554
Other non-operating (income) expense, net		3,098	(2,486)		612
Equity in earnings of subsidiaries	11,511			(11,511)	
Income (loss) before income taxes	11,460	3,508	18,212	(11,511)	21,669
Provision for income taxes		935	7,273		8,208
Net income (loss) from continuing operations	11,460	2,573	10,939	(11,511)	13,461
Net income (loss) from discontinued operations		130	(2,131)		(2,001)
Net income (loss)	$ 11,460	$ 2,703	$ 8,808	$ (11,511)	$ 11,460

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ALTRA HOLDINGS, INC.

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Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2009				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income (loss)	$ (2,314)	$ (5,196)	$ 3,316	$ 1,880	$ (2,314)
Undistributed equity in earnings of subsidiaries	1,880			(1,880)	
Adjustments to reconcile net income to net cash flows:					
Depreciation		12,032	4,502		16,534
Amortization of intangible assets		4,129	1,409		5,538
Amortization and write-offs of deferred loan costs	77	3,985			4,062
Gain on foreign currency, net		270	834		1,104
Accretion of debt discount and premium, net	33	1,879			1,912
Fixed asset impairment		2,023	868		2,891
Deferred income tax		(1,778)	(26)		(1,804)
Other post employment benefit plan settlement gain		(1,467)			(1,467)
Stock based compensation		3,267			3,267
Changes in assets and liabilities:					
Trade receivables		9,210	10,057		19,267
Inventories		20,708	7,472		28,180
Accounts payable and accrued liabilities	1,735	(11,168)	(8,491)		(17,924)
Other current assets and liabilities		167	209		376
Other operating assets and liabilities		(158)	(76)		(234)
Net cash provided by operating activities	1,411	37,903	20,074		59,388
Cash flows from investing activities					
Purchase of fixed assets		(8,166)	(1,028)		(9,194)
Net cash used in investing activities		(8,166)	(1,028)		(9,194)
Cash flows from financing activities					

Payments on the 111/4% Senior Notes		(4,950)			(4,950)
Payments on 9% Senior Secured Notes		(242,500)			(242,500)
Proceeds from 81/8% Senior Secured Notes, net of discount	207,251				207,251
Proceeds from mortgage			1,467		1,467
Shares repurchased	(319)				(319)
Payments on revolving credit agreement		(6,000)			(6,000)
Payments of note issuance costs	(6,472)	(1,089)			(7,561)
Payments on mortgages			(584)		(584)
Change in affiliate debt	(201,871)	220,754	(18,883)		
Payment on capital leases		(640)	(180)		(820)
Net cash (used in) provided by financing activities	(1,411)	(34,425)	(18,180)		(54,016)
Effect of exchange rate changes on cash and cash equivalents			3,246		3,246
Net change in cash and cash equivalents		(4,688)	4,112		(576)
Cash and cash equivalents at beginning of year	1	24,432	27,640		52,073
Cash and cash equivalents at end of period	$ 1	$ 19,744	$ 31,752	$	$ 51,497

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Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2008				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income (loss)	$ 6,494	$ (11,415)	$ 17,909	$ (6,494)	$ 6,494
Undistributed equity in earnings of subsidiaries	(6,494)			6,494	
Adjustments to reconcile net income to net cash flows:					
Depreciation		11,071	4,308		15,379
Amortization of intangible assets		4,120	1,569		5,689
Amortization and write-offs of deferred loan costs		2,133			2,133
Gain on foreign currency, net		(2,470)	(2,579)		(5,049)
Accretion of debt discount and premium, net		898			898
Loss on sale of Electronics Division		224			224
Loss on sale of fixed assets		790	794		1,584
Goodwill impairment		29,912	1,898		31,810
Other post employment benefit plan settlement gain		(925)			(925)
Deferred income tax provision		92	1,309		1,401
Stock based compensation		1,951			1,951
Changes in assets and liabilities:					
Trade receivables		4,887	(5,820)		(933)
Inventories		(1,584)	(490)		(2,074)
Accounts payable and accrued liabilities		(14,618)	1,350		(13,268)
Other current assets and liabilities		(1,979)	3,248		1,269
Other operating assets and liabilities		(43)	(1,426)		(1,469)
Net cash (used in) provided by operating activities		23,044	22,070		45,114
Cash flows from investing activities					
Purchase of fixed assets		(13,537)	(5,752)		(19,289)
Proceeds from the sale of Electronics		17,310			17,310
Payments for prior year acquisitions		(1,708)			(1,708)

Net cash (used in) provided by investing activities		2,065	(5,752)		(3,687)
Cash flows from financing activities					
Payments on the 111/4% Senior Notes		(1,346)			(1,346)
Payments on the 9% Senior Secured Notes		(27,500)			(27,500)
Payments on revolving credit agreement		(1,723)			(1,723)
Payments received to Parent Company		11,900		(11,900)	
Payments on mortgages			(266)		(266)
Change in affiliate debt	(11,900)	14,509	(14,509)	11,900	
Payment on capital leases		(596)	(329)		(925)
Net cash (used in) provided by financing activities	(11,900)	(4,756)	(15,104)		(31,760)
Effect of exchange rate changes on cash and cash equivalents			(3,401)		(3,401)
Net change in cash and cash equivalents	(11,900)	20,353	(2,187)		6,266
Cash and cash equivalents at beginning of year	11,901	4,079	29,827		45,807
Cash and cash equivalents at end of period	$ 1	$ 24,432	$ 27,640	$	$ 52,073

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Amounts in thousands (unless otherwise noted)

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2007				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income (loss)	$ 11,460	$ 2,703	$ 8,808	$ (11,511)	$ 11,460
Undistributed equity in earnings of subsidiaries	(11,511)			11,511	
Adjustments to reconcile net income to net cash flows:					
Depreciation		10,835	5,612		16,447
Amortization of intangible assets		3,920	1,572		5,492
Amortization and write-offs of deferred loan costs		3,448			3,448
Loss on foreign currency, net		586	146		732
Accretion of debt discount and premium, net		774			774
Inventory step-up		275	651		926
Loss on sale of fixed assets		313			313
Other post employment benefit plan settlement gain		2,745			2,745
Loss on sale of Electronics Division		(2,927)			(2,927)
Deferred income tax provision		5,455			5,455
Stock based compensation		2,038			2,038
Changes in assets and liabilities:					
Trade receivables		6,453	(2,135)		4,318
Inventories		2,807	(5,084)		(2,277)
Accounts payable and accrued liabilities	9	(12,384)	1,685		(10,690)
Other current assets and liabilities		3,991	(256)		3,735
Other operating assets and liabilities		429	(610)		(181)
Net cash (used in) provided by operating activities	(42)	31,461	10,389		41,808
Cash flows from investing activities					
Purchase of fixed assets		(7,959)	(3,674)		(11,633)
Acquisitions, net of cash acquired		(123,867)			(123,867)
Proceeds from the sale of Electronics	10,828				10,828

Net cash (used in) provided by investing activities	10,828	(131,826)	(3,674)		(124,672)
Cash flows from financing activities					
Payments on the 111/4% Senior Notes		(58,428)			(58,428)
Proceeds from the 9% Senior Secured Notes		106,050			106,050
Capital Contribution from Parent		49,015		(49,015)	
Proceeds from secondary public offering	49,592				49,592
Payment of debt issuance costs		(4,235)			(4,235)
Initial public offering costs	(2,180)				(2,180)
Payments on the 9% Senior Secured Notes					
Borrowings on revolver		8,315			8,315
Payments on revolving credit agreement		(13,520)			(13,520)
Payments received from Parent Company		(13,554)		13,554	
Payments on mortgages			(126)		(126)
Change in affiliate debt	(46,297)	(4,263)	15,099	35,461	
Payment on capital leases		(464)	(467)		(931)
Net cash provided by financing activities	1,115	68,916	14,506		84,537
Effect of exchange rate changes on cash and cash equivalents			1,607		1,607
Net change in cash and cash equivalents	11,901	(31,449)	22,828		3,280
Cash and cash equivalents at beginning of year		35,528	6,999		42,527
Cash and cash equivalents at end of period	$ 11,901	$ 4,079	$ 29,827	$	$ 45,807

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ALTRA HOLDINGS, INC.

Notes to Consolidated Financial Statements (Continued)
Amounts in thousands (unless otherwise noted)

18. Subsequent Events

In February 2010, the Company s Board of Directors approved the grant of 207,554 shares of restricted common stock under the Amended 2004 Equity Incentive Plan, as amended, to certain members of management and independent directors of the Company.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated subsequent events through the date the financial statements were issued.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

1. Disclosure Controls and Procedures

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended or the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act, such as this Form 10-K, is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and (ii) is accumulated and communicated to management, including the principal executive and principal financial officers as appropriate to allow timely decisions regarding required disclosures. As of December 31, 2009, or the Evaluation Date, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective at the reasonable assurance level.

2. Internal Control over Financial Reporting

(a) Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and chief financial officer, and implemented by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring

Organizations of the Treadway Commission (COSO). Management has concluded that our internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K.

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(b) Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Altra Holdings, Inc.
Braintree, Massachusetts

We have audited the internal control over financial reporting of Altra Holdings, Inc. and subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the Index at Item 15, as of and for the year ended December 31, 2009 of the Company and our report dated March 9, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
March 9, 2010

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(c) Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting as defined in Rules 13a-15(f) and 15d 15(f) under the Exchange Act occurred during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference to our definitive Proxy Statement to be filed no later than 120 days after December 31, 2009.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to our definitive Proxy Statement to be filed no later than 120 days after December 31, 2009.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference to our definitive Proxy Statement to be filed no later than 120 days after December 31, 2009.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated by reference to our definitive Proxy Statement to be filed no later than 120 days after December 31, 2009.

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to our definitive Proxy Statement to be filed no later than 120 days after December 31, 2009.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

(a) List of documents filed as part of this report:

(1) Financial Statements

See Part II Item 8 of this Form 10-K.

(2) Financial Statement Schedules

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(3) Exhibits

Number	Description
2.1[1]	LLC Purchase Agreement, dated as of October 25, 2004, among Warner Electric Holding, Inc., Colfax Corporation and Altra Holdings, Inc.
2.2[1]	Assignment and Assumption Agreement, dated as of November 21, 2004, between Altra Holdings, Inc. and Altra Industrial Motion, Inc.
2.3[2]	Share Purchase Agreement, dated as of November 7, 2005, among Altra Industrial Motion, Inc. and the stockholders of Hay Hall Holdings Limited listed therein
2.4[3]	Asset Purchase Agreement, dated May 18, 2006, among Warner Electric LLC, Bear Linear LLC and the other guarantors listed therein
2.5[5]	Agreement and Plan of Merger, dated February 17, 2007, among Altra Holdings, Inc., Forest Acquisition Corp. and TB Wood s Corp.
3.1[4]	Second Amended and Restated Certificate of Incorporation of Altra Holdings, Inc.
3.2[8]	Amended and Restated Bylaws of Altra Holdings, Inc.
4.1[4]	Form of Common Stock Certificate
4.2[11]	Form of 81/8% Senior Secured Notes due 2016
4.3[11]	Indenture, dated November 25, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.
4.4[11]	Registration Rights Agreement, dated November 25, 2009, among Altra Holdings, Inc., the Guarantors party thereto and the Initial Purchasers party thereto
10.1[3]	Subscription Agreement, dated November 30, 2004, among Altra Holdings, Inc., the preferred purchasers and the common purchasers as listed therein
10.2[6]	Employment Agreement, dated as of December 14, 2007, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Christian Storch
10.3[7]	Amended and Restated Employment Agreement, dated as of September 25, 2008, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Michael L. Hurt
10.4[9]	Amended and Restated Employment Agreement, dated as of January 1, 2009, among Altra Industrial Motion, Inc., Altra Holdings, Inc. and Carl Christenson
10.5[8]	Form of Indemnification Agreement entered into between Altra Holdings, Inc. and the Directors and certain officers
10.6[8]	Form of Change of Control Agreement entered into among Altra Holdings, Inc., Altra Industrial Motion, Inc. and certain officers
10.7[1]	Altra Holdings, Inc. 2004 Equity Incentive Plan
10.8[3]	Amendment to Altra Holdings, Inc. 2004 Equity Incentive Plan
10.9[4]	Second Amendment to Altra Holdings, Inc. 2004 Equity Incentive Plan
10.10[1]	Form of Altra Holdings, Inc. Restricted Stock Award Agreement
10.11[4]	Form of Amendment to Restricted Stock Agreements with Michael Hurt
10.12[11]	Purchase Agreement, dated November 16, 2009 among Altra Holdings, Inc., the Guarantors party thereto and the Initial Purchasers party thereto
10.13	Pledge and Security Agreement, dated November 25, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.#
10.14	Patent Security Agreement, dated December 24, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.#
10.15	Trademark Security Agreement, dated December 24, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.
10.16	

Credit Agreement, dated as of November 25, 2009, among Altra Industrial Motion, Inc. and certain of its subsidiaries, as Borrowers, Altra Holdings, Inc., as Guarantor, the lenders listed therein, J.P. Morgan Securities, Inc., as sole lead arranger and sole book runner, and JPMorgan Chase Bank, N.A., as Administrative Agent#

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Number	Description
10.17	Pledge and Security Agreement, dated November 25, 2009, among Altra Industrial Motion, Inc. and certain of its subsidiaries, Altra Holdings, Inc., and JPMorgan Chase Bank, N.A.#
10.18	Patent Security Agreement, dated December 24, 2009, among Altra Industrial Motion, Inc. and certain of its subsidiaries, Altra Holdings, Inc., and JPMorgan Chase Bank, N.A.#
10.19	Trademark Security Agreement, dated December 24, 2009, among Altra Industrial Motion, Inc. and certain of its subsidiaries, Altra Holdings, Inc., and JPMorgan Chase Bank, N.A.
10.20	Intercreditor and Lien Subordination Agreement among Altra Holdings, Inc., Altra Industrial Motion, Inc. and certain of their subsidiaries, JPMorgan Chase Bank, N.A., and The Bank of New York Mellon Trust Company, N.A.
21.1	Subsidiaries of Altra Holdings, Inc.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2	Consent of Deloitte & Touche LLP, independent registered public accounting firm
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to Altra Industrial Motion, Inc. s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 16, 2005.

(2) Incorporated by reference to Altra Industrial Motion, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 14, 2006.

(3) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on September 29, 2006.

(4) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on December 4, 2006.

(5) Incorporated by reference to Altra Holdings, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 20, 2007.

(6) Incorporated by reference to Altra Holdings, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2007.

(7) Incorporated by reference to Altra Industrial Motion, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2008.

(8) Incorporated by reference to Altra Holdings, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2008.

(9) Incorporated by reference to Altra Holdings, Inc. s Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2008.

(10)

Incorporated by reference to Altra Holdings, Inc. s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 4, 2009.

(11) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on February 2, 2010.

Management contract or compensatory plan or arrangement.

Application has been made to the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

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Item 15(a)(2)

ALTRA HOLDINGS, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Reserve for Uncollectible Accounts:	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
For the year ended December 31, 2007	$ 2,017	$ 682	$ (1,151)	$ 1,548
For the year ended December 31, 2008	$ 1,548	$ 935	$ (1,206)	$ 1,277
For the year ended December 31, 2009	$ 1,277	$ 572	$ (415)	$ 1,434

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SIGNATURES

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

	ALTRA HOLDINGS, INC.
March 8, 2010	By: /s/ Carl R. Christenson Name: Carl R. Christenson Title: Chief Executive Officer & Director

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 registrant and in the capacities and on the dates indicated.

March 9, 2010	By: /s/ Carl R. Christenson Name: Carl R. Christenson Title: Chief Executive Officer & Director
March 9, 2010	By: /s/ Christian Storch Name: Christian Storch Title: Chief Financial Officer
March 9, 2010	By: /s/ Todd B. Patriacca Name: Todd B. Patriacca Title: Chief Accounting Officer
March 9, 2010	By: /s/ Michael L. Hurt Name: Michael L. Hurt Title: Executive Chairman & Director
March 9, 2010	By: /s/ Edmund M. Carpenter Name: Edmund M. Carpenter Title: Director
March 9, 2010	By:

	/s/ Lyle G. Ganske Name: Lyle G. Ganske Title: Director
March 9, 2010	By: /s/ Michael S. Lipscomb Name: Michael S. Lipscomb Title: Director
March 9, 2010	By: /s/ Larry P. McPherson Name: Larry P. McPherson Title: Director
March 9, 2010	By: /s/ James H. Woodward, Jr. Name: James H. Woodward, Jr. Title: Director

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Exhibit Index

Number	Description
10.13	Pledge and Security Agreement, dated November 25, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.#
10.14	Patent Security Agreement, dated December 24, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.#
10.15	Trademark Security Agreement, dated December 24, 2009, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.
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