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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-11499

WATTS WATER TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-2916536**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
815 Chestnut Street, North Andover, MA	**01845**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(978) 688-1811**

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Stock, par value $0.10 per share	**New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

(Do not check if a smaller reporting company)

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

As of June 26, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $611,035,661 based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 19, 2010
Class A Common Stock, $0.10 par value per share	29,585,969 shares
Class B Common Stock, $0.10 par value per share	7,193,880 shares

DOCUMENTS INCOPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on May 12, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

Item 1. *BUSINESS.*

This Annual Report on Form 10-K contains statements that are not historical facts and are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements contain projections of our future results of operations or our financial position or state other forward-looking information. In some cases you can identify these forward-looking statements by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," and "would" or similar words. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Some of the factors that might cause these differences are described under Item 1A—"Risk Factors." You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this report, and, except as required by law, we undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

In this Annual Report on Form 10-K, references to "the Company," "Watts," "we," "us" or "our" refer to Watts Water Technologies, Inc. and its consolidated subsidiaries.

Overview

Watts Regulator Co. was founded by Joseph E. Watts in 1874 in Lawrence, Massachusetts. Watts Regulator Co. started as a small machine shop supplying parts to the New England textile mills of the 19th century and grew into a global manufacturer of products and systems focused on the control, conservation and quality of water and the comfort and safety of the people using it. Watts Water Technologies, Inc. was incorporated in Delaware in 1985 and became the parent Company of Watts Regulator Co.

Our "Water by Watts" strategy is to be the leading provider of water quality, water conservation, water safety and water flow control products for the residential and commercial markets in North America and Europe with a growing presence in Asia. Our primary objective is to grow earnings by increasing sales within existing markets, expanding into new markets, leveraging our distribution channels and customer base, making selected acquisitions, reducing manufacturing costs and advocating for the development and enforcement of industry standards.

We intend to continue to introduce products in existing markets by enhancing our preferred brands, developing new complementary products, promoting plumbing code development to drive sales of safety and water quality products and continually improving merchandising in both the do-it-yourself (DIY) and wholesale distribution channels. We continually target selected new product and geographic markets based on growth potential, including our ability to leverage our existing distribution channels. Additionally, we continually leverage our distribution channels through the introduction of new products, as well as the integration of products of our acquired companies.

We intend to continue to generate growth by targeting selected acquisitions, both in our core markets as well as new complementary markets. We have completed 32 acquisitions since divesting our industrial and oil and gas business in 1999. Our acquisition strategy focuses on businesses that manufacture preferred brand name products that address our themes of water quality, water conservation, water safety, water flow control and comfort and related complementary markets. We target businesses that will provide us with one or more of the following: an entry into new markets, an increase in shelf space with existing customers, strong brand names, a new or improved technology or an expansion of the breadth of our Water by Watts offerings.

We are committed to reducing our manufacturing and operating costs through a combination of manufacturing in lower-cost countries, using Lean Six Sigma to drive continuous improvement across all key processes, and consolidating our diverse manufacturing operations in North America, Europe and China. We have a number of manufacturing facilities in lower-cost regions such as China, Bulgaria and Tunisia. In both 2007 and 2009, we announced global restructuring plans to reduce our manufacturing footprint in order to reduce our costs and to realize additional operating efficiencies. In February 2010, we announced a plan to consolidate our manufacturing operations in France. See Recent Developments in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more details.

Our products are sold to wholesale distributors and dealers, major DIY chains and original equipment manufacturers (OEMs). Most of our sales are for products that have been approved under regulatory standards incorporated into state and municipal plumbing, heating, building and fire protection codes in North America and Europe. We have consistently advocated the development and enforcement of plumbing codes and are committed to providing products to meet these standards, particularly for safety and control valve products. These codes serve as a competitive barrier to entry by requiring that products sold in select jurisdictions meet stringent criteria.

Additionally, a majority of our manufacturing facilities are ISO 9000, 9001 or 9002 certified by the International Organization for Standardization.

Our business is reported in three geographic segments: North America, Europe and China. The contributions of each segment to net sales, operating income and the presentation of certain other financial information by segment are reported in Note 17 of the Notes to Consolidated Financial Statements and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

Recent Disposition and Liquidation

In September 2009, our Board of Directors approved the sale of our investment in Watts Valve (Changsha) Co., Ltd. (CWV), located in Changsha, China. We completed the sale of CWV in January 2010. CWV is a manufacturer of large diameter hydraulic-actuated butterfly valves for thermo-power and hydro-power plants, water distribution projects and water works projects in China. Management determined the CWV business no longer fit strategically with the Company.

In May 2009, we commenced proceedings to liquidate our TEAM Precision Pipework, Ltd. (TEAM) business, located in Ammanford, U.K. TEAM custom designed and manufactured manipulated pipe and hose tubing assemblies and served the heating, ventilation and air conditioning and automotive markets in Western Europe. Management determined the business no longer fit strategically with the Company and that a sale of TEAM was not feasible. On May 22, 2009, we appointed an administrator for TEAM under the United Kingdom Insolvency Act of 1986. During the administration process, the administrator has sole control over, and responsibility for, TEAM's operations, assets and liabilities. We deconsolidated TEAM when the administrator obtained control of TEAM. During the third quarter of 2009, we were informed that the administrator completed the sale of TEAM's assets for funds sufficient to pay all creditors. We evaluated the operations of TEAM and determined that it will not have a continuing involvement in TEAM's operations and cash flows. During the fourth quarter, the administrator determined that all TEAM creditors had been contacted and they had agreed to full settlements of the respective debts owed by TEAM. Further, the administrator believes that liquidation of TEAM will result in approximately $0.8 million being returned to us as excess proceeds from liquidation. We recorded this amount in discontinued operations in the fourth quarter. The legal liquidation of TEAM is expected to be finalized by the end of the first quarter of 2010.

Detailed financial information concerning these two disposals is provided in Note 3 of the Notes to Consolidated Financial Statements in this report. All prior years amounts for CWV and TEAM have been reclassified to discontinued operations throughout this document.

Products

We have a broad range of products in terms of design distinction, size and configuration in a majority of our principal product lines. In 2009 and 2008, water quality products accounted for approximately 14% and 17%, respectively, of our total sales. Our principal product lines include:

- water quality products, including backflow preventers and check valves for preventing reverse flow within water lines and fire protection systems and point-of-use and point-of-entry water filtration and reverse osmosis systems for both commercial and residential applications;
- a wide range of water pressure regulators for both commercial and residential applications;
- drainage products for industrial, commercial, marine and residential applications;
- water supply products for commercial and residential applications;
- temperature and pressure relief valves for water heaters, boilers and associated systems;
- thermostatic mixing valves for tempering water in commercial and residential applications;
- systems for under-floor radiant applications and hydraulic pump groups for gas boiler manufacturers and renewable energy applications, including solar and heat pump control packages; and
- flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications.

Customers and Markets

We sell our products to plumbing, heating and mechanical wholesale distributors, major DIY chains and OEMs.

Wholesalers. Approximately 65% of our sales in both 2009 and 2008 were to wholesale distributors for commercial and residential applications. We rely on commissioned manufacturers' representatives, some of which maintain a consigned inventory of our products, to market our product lines. Additionally, various water quality products are sold to independent dealers throughout North America.

DIY. Approximately 16% and 14% of our sales in 2009 and 2008, respectively, were to DIY customers. Our DIY customers demand less technical products, but are highly receptive to innovative designs and new product ideas.

OEMs. Approximately 19% and 21% of our sales in 2009 and 2008, respectively, were to OEMs. In North America, our typical OEM customers are water heater manufacturers, equipment manufacturers needing flow control devices and water systems manufacturers needing backflow preventers. Our sales to OEMs in Europe are primarily to boiler manufacturers, and radiant systems manufacturers. Our sales to OEMs in China are primarily to boiler and bath manufacturers including manufacturers of faucet and shower products.

In both 2009 and 2008, no customer accounted for more than 10% of our total net sales. Our top ten customers accounted for approximately $306.4 million, or 25%, of our total net sales in 2009 and $302.2 million, or 21%, of our total net sales in 2008. Thousands of other customers constituted the remaining 75% of our net sales in 2009 and 79% of our net sales in 2008.

Marketing and Sales

We rely primarily on commissioned manufacturers' representatives to sell our products, some of which maintain a consigned inventory of our products. These representatives sell primarily to plumbing and heating wholesalers or service DIY store locations in North America. We also sell products for the residential construction and home repair and remodeling industries through DIY plumbing retailers,

national catalog distribution companies, hardware stores, building material outlets and retail home center chains and through plumbing and heating wholesalers. In addition, we sell products directly to certain large OEMs and private label accounts.

Manufacturing

We have integrated and automated manufacturing capabilities, including a bronze foundry, machining, plastic extrusion and injection molding and assembly operations. Our foundry operations include metal pouring systems, automatic core making, yellow brass forging and brass and bronze die-castings. Our machining operations feature computer-controlled machine tools, high-speed chucking machines with robotics and automatic screw machines for machining bronze, brass and steel components. We have invested heavily in recent years to expand our manufacturing capabilities and to ensure the availability of the most efficient and productive equipment. We are committed to maintaining our manufacturing equipment at a level consistent with current technology in order to maintain high levels of quality and manufacturing efficiencies.

Capital expenditures and depreciation for each of the last three years were as follows:

	Years Ended December 31,		
	2009	**2008**	**2007**
	(in millions)		
Capital expenditures	**$ 24.2**	$ 26.2	$ 36.9
Depreciation	**$ 33.7**	$ 31.5	$ 28.1

Raw Materials

We require substantial amounts of raw materials to produce our products, including bronze, brass, cast iron, steel, plastic, and components used in products, and substantially all of the raw materials we require are purchased from outside sources. The commodity markets have experienced tremendous volatility over the past several years, particularly copper. The market prices of many commodities decreased during the latter half of 2008, but increased throughout 2009. Bronze and brass are copper-based alloys. The spot price of copper increased approximately 153.1% from December 31, 2008 to December 31, 2009. We typically carry several months of inventory on-hand primarily due to the significant extent of our international sourcing. We are not able to predict whether commodity costs, including copper, will significantly increase or decrease in the future. If commodity costs increase in the future and we are not able to reduce or eliminate the effect of the cost increases by reducing production costs or implementing price increases, our profit margins could decrease. If commodity costs were to decline, we may experience pressures from customers to reduce our selling prices. The timing of any price reductions and decreases in commodity costs may not align. As a result, our near-term margins in 2010 could decline.

With limited exceptions, we do not single source our commodities or other raw materials. Generally we have multiple suppliers for our commodities and other raw materials. We believe our relationships with our key suppliers are good and that an interruption in supply from any supplier would not materially affect our ability to meet our immediate demands while another supplier is qualified. We regularly review our suppliers to evaluate their strengths. If a supplier is evaluated as having potential financial troubles or will be unable to meet our demands, we believe that our inventory of raw materials will allow for sufficient time to identify and obtain the necessary commodities and other raw materials from an alternate source. We believe that the nature of our commodities or other raw materials are such that multiple sources are generally available in the market.

Code Compliance

Products representing a majority of our sales are subject to regulatory standards and code enforcement which typically require that these products meet stringent performance criteria. Standards are established by such industry test and certification organizations as the American Society of Mechanical Engineers (A.S.M.E.), the Canadian Standards Association (C.S.A.), the American Society of Sanitary Engineers (A.S.S.E.), the University of Southern California Foundation for Cross-Connection Control (USC FCC), the International Association of Plumbing and Mechanical Officials (I.A.P.M.O.), Factory Mutual (F.M.), the National Sanitation Foundation (N.S.F.) and Underwriters Laboratory (U.L.). Many of these standards are incorporated into state and municipal plumbing and heating, building and fire protection codes.

National regulatory standards in Europe vary by country. The major standards and/or guidelines that our products must meet are AFNOR (France), DVGW (Germany), UNI/ICIN (Italy), KIWA (Netherlands), SVGW (Switzerland), SITAC (Sweden) and WRAS (United Kingdom). Further, there are local regulatory standards requiring compliance as well.

Together with our commissioned manufacturers' representatives, we have consistently advocated for the development and enforcement of plumbing codes. We maintain stringent quality control and testing procedures at each of our manufacturing facilities in order to manufacture products in compliance with code requirements.

We believe that product-testing capability and investment in plant and equipment is needed to manufacture products in compliance with code requirements. Additionally, a majority of our manufacturing facilities are ISO 9000, 9001 or 9002 certified by the International Organization for Standardization.

New Product Development and Engineering

We maintain our own product development staff, design teams, and testing laboratories in North America, Europe and China that work to enhance our existing products and develop new products. We maintain sophisticated product development and testing laboratories. Research and development costs included in selling, general, and administrative expense amounted to $17.8 million, $17.5 million and $15.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

On January 1, 2010, California and Vermont enacted laws that require all pipes, pipe and plumbing fittings and plumbing fixtures sold in those states that convey or dispense water for human consumption to contain virtually no lead content. Other states are currently considering similar legislation and we expect that similar laws may be adopted in other states in the future. We have invested considerable resources over the past several years to develop lead free versions of our plumbing products to comply with these new laws, and we introduced our lead free product offerings in the fourth quarter of 2009.

Competition

The domestic and international markets for water safety and flow control devices are intensely competitive and require us to compete against some companies possessing greater financial, marketing and other resources than ours. Due to the breadth of our product offerings, the number and identities of our competitors vary by product line and market. We consider brand preference, engineering specifications, plumbing code requirements, price, technological expertise, delivery times and breadth of product offerings to be the primary competitive factors. We believe that new product development and product engineering are also important to success in the water industry and that our position in the industry is attributable in part to our ability to develop new and innovative products quickly and to adapt and enhance existing products. We continue to develop new and innovative products to enhance market position and are continuing to implement manufacturing and design programs to reduce costs. We cannot be certain that our efforts to develop new products will be successful or that our customers

will accept our new products. Although we own certain patents and trademarks that we consider to be of importance, we do not believe that our business and competitiveness as a whole are dependent on any one of our patents or trademarks or on patent or trademark protection generally.

Backlog

Backlog was approximately $86.6 million at February 12, 2010 and was approximately $77.6 million at February 13, 2009. We do not believe that our backlog at any point in time is indicative of future operating results and we expect our entire current backlog to be converted to sales in 2010.

Employees

As of December 31, 2009, our wholly-owned domestic and foreign operations employed approximately 5,900 people. None of our employees in North America or China are covered by collective bargaining agreements. In some European countries our employees are subject to traditional national collective bargaining agreements. We believe that our employee relations are good.

Available Information

We maintain a website with the address *www.wattswater.com*. The information contained on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. Other than an investor's own internet access charges, we make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we have electronically filed such material with, or furnished such material to, the Securities and Exchange Commission.

Executive Officers and Directors

Set forth below are the names of our executive officers and directors, their respective ages and positions with our Company and a brief summary of their business experience for at least the past five years:

Name	Age	Position
J. Dennis Cawte	59	Group Managing Director, Europe
David J. Coghlan	50	Chief Operating Officer
Ernest E. Elliott	58	Executive Vice President of Marketing
Michael P. Flanders	51	President, Asia
Kenneth R. Lepage	39	General Counsel, Executive Vice President of Administration and Secretary
William C. McCartney	55	Chief Financial Officer and Treasurer
Patrick S. O'Keefe	57	Chief Executive Officer, President and Director
Robert L. Ayers(1)(3)	64	Director
Kennett F. Burnes(1)(3)	67	Director
Richard J. Carthcart(2)(3)	65	Director
Timothy P. Horne	71	Director
Ralph E. Jackson Jr.(2)(3)	68	Director
Kenneth J. McAvoy(1)(3)	69	Director
John K. McGillicuddy(1)(3)	66	Director
Gordon W. Moran(2)(3)	71	Non-Executive Chairman of the Board and Director
Daniel J. Murphy, III(2)(3)	68	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

J. Dennis Cawte joined our Company in 2001 and was appointed Group Managing Director, Europe. Prior to joining our Company, he was European President of PCC Valve and Controls, a division of Precision Castparts Corp., a manufacturer of components and castings to the aeronautical industry, from 1999 to 2001. He had also worked forapproximately 20 years for Keystone Valve International, a manufacturer and distributor of industrial valves, where his most recent position was the Managing Director Northern Europe, Middle East, Africa and India.

David J. Coghlan was appointed Chief Operating Officer in January 2010. He originally joined our Company in June 2008 as President of North America and Asia. Prior to joining our Company, Mr. Coghlan served as Vice President, Global Parts for Trane Inc., a global manufacturer of commercial and residential heating, ventilation and air conditioning equipment, from April 2004 through May 2008. He also held several management positions within the Climate Control Technologies segment of Ingersoll-Rand Company Limited, a manufacturer of transport temperature control units and refrigerated display merchandisers, from 1995 to December 2003. Before joining Ingersoll-Rand, Mr. Coghlan worked for several years with the management consulting firm of McKinsey & Co. in both the United Kingdom and United States.

Ernest E. Elliott joined our Company in 1986 and has served in a variety of sales and marketing roles. He was appointed Vice President of Sales in 1991, served as Executive Vice President of Wholesale Sales and Marketing from 1996 to March 2003, Executive Vice President of Wholesale Marketing from March 2003 to February 2006 and as Executive Vice President of Marketing since February 2006. Mr. Elliott temporarily assumed responsibilities of our former Chief Operating Officer and President of North American and Asian Operations in September 2007. Prior to joining our Company, he was Vice President of BTR Inc.'s Valve Group, a diversified manufacturer of industrial and commercial valve products.

Michael P. Flanders joined our Company in October 2007 as Executive Vice President of Manufacturing Operations, North America and Asia. He was appointed President, Asia in 2009. From August 2005 to July 2007, he served as President and Chief Operating Officer of Aavid Thermalloy, LLC, an international manufacturing company providing thermal management solutions to the computer and electronics industries. From July 2003 to April 2005, he was Vice President and General Manager of Waukesha Bearings Corporation, a manufacturer of hydrodynamic and active magnetic bearings and a subsidiary of Dover Corporation. From November 1998 to July 2003, he was General Manager of the LCN Division of Ingersoll-Rand Company Limited, which manufactured mechanical and electronic door control products.

Kenneth R. Lepage was appointed General Counsel and Secretary of the Company in August 2008 and Executive Vice President of Administration in December 2009. Mr. Lepage originally joined our Company in September 2003 as Assistant General Counsel and Assistant Secretary. Prior to joining our Company, he was a junior partner at the law firm of Hale and Dorr LLP (now Wilmer Cutler Pickering Hale and Dorr LLP).

William C. McCartney joined our Company in 1985 as Controller. He was appointed our Vice President of Finance in 1994 and served as our Corporate Controller from 1988 to 1999. He was appointed Chief Financial Officer and Treasurer in 2000. He served as Secretary of the Company from January 2000 to November 2005.

Patrick S. O'Keefe joined our Company in 2002. Prior to joining our Company, he served as President, Chief Executive Officer and Director of Industrial Distribution Group, a supplier of maintenance, repair, operating and production products, from 1999 to 2001. He was Chief Executive Officer of Zep Manufacturing, a unit of National Service Industries and a manufacturer of specialty chemicals throughout North America, Europe and Australia, from 1997 to 1999. He also held various senior management positions with Crane Co. from 1994 to 1997.

Robert L. Ayers has served as a director of our Company since October 2006. He was Senior Vice President of ITT Industries and President of ITT Industries' Fluid Technology from October 1999 until September 2005. Mr. Ayers continued to be employed by ITT Industries from September 2005 until his retirement in September 2006, during which time he focused on special projects for the company. Mr. Ayers joined ITT Industries in 1998 as President of ITT Industries' Industrial Pump Group. Before joining ITT Industries, he was President of Sulzer Industrial USA and Chief Executive Officer of Sulzer Bingham, a pump manufacturer. He is a director of T-3 Energy Services, Inc.

Kennett F. Burnes became a director of our Company in February 2009. Mr. Burnes is the retired Chairman, President and Chief Executive Officer of Cabot Corporation, a global specialty chemicals company. He was Chairman from 2001 to March 2008, President from 1995 to January 2008 and Chief Executive Officer from 2001 to January 2008. Prior to joining Cabot Corporation in 1987, Mr. Burnes was a partner at the Boston-based law firm of Choate, Hall & Stewart, where he specialized in corporate and business law for nearly 20 years. He is a director of State Street Corporation, a member of the Dana Farber Cancer Institute's Board of Trustees and a board member of the New England Conservatory. Mr. Burnes is also Chairman of the Board of Trustees of the Schepens Eye Research Institute.

Richard J. Cathcart has served as a director of our Company since October 2007. He was Vice Chairman and a member of the Board of Directors of Pentair, Inc. from February 2005 until his retirement in September 2007. Pentair is a diversified manufacturing company consisting of two operating segments: Water Technologies and Technical Products. He was appointed President and Chief Operating Officer of Pentair's Water Technologies Group in January 2001 and served in that capacity until his appointment as Vice Chairman in February 2005. He began his career at Pentair in March 1995 as Executive Vice President, Corporate Development, where he identified water as a strategic area of growth. In February 1996, he was named Executive Vice President and President of Pentair's Water Technologies Group. Prior to joining Pentair, he held several management and business development positions during his 20-year career with Honeywell International Inc. He is a director of Fluidra S.A.

Timothy P. Horne has served as a director of our Company since 1962. He became an employee of our Company in 1959 and served as our President from 1976 to 1978, from 1994 to 1997 and from 1999 to 2002. He served as our Chief Executive Officer from 1978 to 2002, and he served as Chairman of our Board of Directors from 1986 to 2002. He retired as an employee of our Company on December 31, 2002. Since his retirement, he has continued to serve our Company as a consultant.

Ralph E. Jackson, Jr. has served as a director of our Company since 2004. He worked for Cooper Industries, Inc., a manufacturer of electrical products, from 1985 until his retirement in December 2003. Prior to joining Cooper Industries, he worked for the Bussmann and Air Comfort divisions of McGraw-Edison from 1976 until McGraw-Edison was acquired by Cooper Industries in 1985. While with Cooper Industries, he served as Chief Operating Officer from 2000 to December 2003, Executive Vice President, Electrical Operations from 1992 to 2000, and President, Bussmann Division from the time McGraw-Edison was acquired by Cooper Industries to 1992. He served as a member of the Board of Directors of Cooper Industries from 2000 to December 2003.

Kenneth J. McAvoy has served as a director of our Company since 1994. He was Controller of our Company from 1981 to 1985 and Chief Financial Officer and Treasurer from 1986 to 1999. He also served as Vice President of Finance from 1984 to 1994; Executive Vice President of European Operations from 1994 to 1996; and Secretary from 1985 to 1999. He retired from our Company on December 31, 1999.

John K. McGillicuddy has served as a director of our Company since 2003. He was employed by KPMG LLP, a public accounting firm, from 1965 until his retirement in 2000. He was elected into the Partnership at KPMG LLP in June 1975 where he served as Audit Partner, SEC Reviewing Partner, Partner-in-Charge of Professional Practice, Partner-in-Charge of College Recruiting and Partner-in-Charge of Staff Scheduling. He is a director of Brooks Automation, Inc. and Cabot Corporation.

Gordon W. Moran has served as a director of our Company since 1990. He has been the Chairman of Hollingsworth & Vose Company, a paper manufacturer, since 1997, and served as its President and Chief Executive Officer from 1983 to 1998.

Daniel J. Murphy, III has served as a director of our Company since 1986. He has been the Chairman of Northmark Bank, a commercial bank he founded, since 1987. Prior to forming Northmark Bank in 1987, he was a Managing Director of Knightsbridge Partners, a venture capital firm, from January to August 1987, and President and a director of Arltru Bancorporation, a bank holding company, and its wholly-owned subsidiary, Arlington Trust Company, from 1980 to 1986.

Product Liability, Environmental and Other Litigation Matters

We are subject to a variety of potential liabilities connected with our business operations, including potential liabilities and expenses associated with possible product defects or failures and compliance with environmental laws. We maintain product liability and other insurance coverage, which we believe to be generally in accordance with industry practices. Nonetheless, such insurance coverage may not be adequate to protect us fully against substantial damage claims.

Contingencies

James Jones Litigation

As has been previously disclosed, we were party to a lawsuit filed by Nora Armenta in California Superior Court against us, James Jones Company, Mueller Co. and Tyco International (the "Armenta case") and a separate lawsuit filed in California Superior Court on behalf of the City of Banning, California and 42 other cities and water districts in California against us, James Jones Company and Mueller Co. (the "City of Banning case"). At a mediation session held with the California Superior Court on June 9-10, 2009, the parties to the Armenta case and the City of Banning case agreed in principle to settle both cases. The agreement in principle was effective and binding only upon approval by the plaintiffs in the Armenta and City of Banning cases, and final approval of the settlement by the California Superior Court after a fairness hearing. An agreement in principle also was reached to settle the related insurance coverage cases *Watts Industries, Inc. vs. Zurich American Insurance Company, et al.*, and *Zurich American Insurance Company vs. Watts Industries, Inc., et al.*, pending in California Superior Court; and *Zurich American Insurance Company vs. Watts Industries, Inc. and James Jones Company*, pending in the United States District Court for the Northern District of Illinois, Eastern Division. The settlement of the insurance coverage cases was effective and binding upon approval of the settlement of the underlying Armenta case and City of Banning case as described above.

The settlement agreement was approved by the plaintiffs in both the Armenta and City of Banning cases and, at the fairness hearing held on November 5, 2009, the California Superior Court approved the settlement of the Armenta case and City of Banning case. There were no objectors to the settlement. Based on the contemporaneous final settlement of the underlying insurance coverage cases, our contribution to the settlement was $15.3 million. As a result of the settlements, all lawsuits and all claims were dismissed. In addition, separate from the settlement, we paid our outside counsel an additional $5.0 million for services rendered in connection with the above described litigation.

As a result of the settlement of the above described litigation, we recorded a non-cash, pre-tax gain in discontinued operations of approximately $9.5 million in the fourth quarter of 2009 to reduce previously recorded estimates of the loss and related fees to the amounts noted above.

Foreign Corrupt Practices Act Investigation

In July 2009, we received information that employees of CWV, at that time an indirect wholly-owned subsidiary of the Company in China, made payments to employees of state-owned agencies. Such payments may violate the Foreign Corrupt Practices Act. We are conducting an investigation utilizing outside counsel and voluntarily disclosed this matter to the United States Department of Justice and the Securities and Exchange Commission. We cannot predict the outcome of this matter at this time or whether it will have a materially adverse impact on our financial condition or results of operations. We sold CWV in January 2010.

Environmental Remediation

We have been named as a potentially responsible party with respect to a limited number of identified contaminated sites. The levels of contamination vary significantly from site to site as do the related levels of remediation efforts. Environmental liabilities are recorded based on the most probable cost, if known, or on the estimated minimum cost of remediation. We accrue estimated environmental liabilities based on assumptions, which are subject to a number of factors and uncertainties.

Circumstances which can affect the reliability and precision of these estimates include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation and the time period over which remediation may occur. We recognize changes in estimates as new remediation requirements are defined or as new information becomes available.

Based on the facts currently known to us, we do not believe that the ultimate outcome of these matters will have a material adverse effect on our liquidity, financial condition or results of operations. Some of our environmental matters are inherently uncertain and there exists a possibility that we may ultimately incur losses from these matters in excess of the amount accrued. However, we cannot currently estimate the amount of any such additional losses.

Asbestos Litigation

We are defending approximately 105 lawsuits in different jurisdictions, with the greatest number filed in Mississippi and California state courts, alleging injury or death as a result of exposure to asbestos. The complaints in these cases typically name a large number of defendants and do not identify any particular Watts products as a source of asbestos exposure. To date, we have obtained a dismissal in every case before it has reached trial because discovery has failed to yield evidence of substantial exposure to any Watts products. Based on the facts currently known to us, we do not believe that the ultimate outcome of these claims will have a material adverse effect on our liquidity, financial condition or results of operations.

Other Litigation

Other lawsuits and proceedings or claims, arising from the ordinary course of operations, are also pending or threatened against us. Based on the facts currently known to us, we do not believe that the ultimate outcome of these other litigation matters will have a material adverse effect on our liquidity, financial condition or results of operations.

Item 1A. ***RISK FACTORS.***

Current economic cycles, particularly reduced levels of commercial and residential starts and remodeling, may continue to have an adverse effect on our revenues and operating results.

We have experienced and expect to continue to experience fluctuations in revenues and operating results due to economic and business cycles. The businesses of most of our customers, particularly plumbing and heating wholesalers and home improvement retailers, are cyclical. Therefore, the level of our business activity has been cyclical, fluctuating with economic cycles. The current economic downturn may also affect the financial stability of our customers, which could affect their ability to pay amounts owed vendors, including us. We also believe our level of business activity is influenced by commercial and residential starts and renovation and remodeling, which are, in turn, heavily influenced by interest rates, consumer debt levels, changes in disposable income, employment growth and consumer confidence. The current credit market conditions may prevent commercial and residential builders or developers from obtaining the necessary capital to continue existing projects or to start new projects. This may result in the delay or cancellation of orders from our customers or potential customers and may adversely affect our revenues and our ability to manage inventory levels, collect customer receivables and maintain profitability. The current conditions in the housing and debt markets have caused a significant reduction in commercial and residential starts and renovation and remodeling. These conditions have caused a decrease in our revenue and profit. If these conditions continue or worsen in the future, our revenues and profits could decrease and could result in a material adverse effect on our financial condition and results of operations.

Our ability to make large acquisitions may be limited due to the current credit market conditions.

As widely reported, the financial markets worldwide have been experiencing, among other things, severely diminished liquidity and credit availability. One of our strategies is to increase our revenues

and profitability and expand our business through acquisitions. We may require capital in excess of our available cash and the unused portion of our revolving credit facility to make large acquisitions, which we would generally obtain from access to the credit markets. However, the current economic environment may adversely affect the availability and cost of credit in the future. There can be no assurance that if a large acquisition is identified that we would have access to sufficient capital to complete such acquisition.

We face intense competition and, if we are not able to respond to competition in our markets, our revenues may decrease.

Competitive pressures in our markets could adversely affect our competitive position, leading to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. We encounter intense competition in all areas of our business. Additionally, we believe our customers are attempting to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their inventories and their transaction costs. To remain competitive, we will need to invest continually in manufacturing, marketing, customer service and support and our distribution networks. We may not have sufficient resources to continue to make such investments and we may be unable to maintain our competitive position. In addition, we anticipate that we may have to reduce the prices of some of our products to stay competitive, potentially resulting in a reduction in the profit margin for, and inventory valuation of, these products. Some of our competitors are based in foreign countries and have cost structures and prices in foreign currencies. Accordingly, currency fluctuations could cause our U.S. dollar-priced products to be less competitive than our competitors' products which are priced in other currencies.

Changes in the costs of raw materials could reduce our profit margins. Reductions or interruptions in the supply of components or finished goods from international sources could adversely affect our ability to meet our customer delivery commitments.

We require substantial amounts of raw materials, including bronze, brass, cast iron, steel and plastic and substantially all of the raw materials we require are purchased from outside sources. The costs of raw materials may be subject to change due to, among other things, interruptions in production by suppliers and changes in exchange rates and worldwide price and demand levels. We typically do not enter into long-term supply agreements. Our inability to obtain supplies of raw materials for our products at favorable costs could have a material adverse effect on our business, financial condition or results of operations by decreasing our profit margins. The commodity markets have experienced tremendous volatility over the past several years, particularly copper. The market prices of many commodities decreased during the latter half of 2008, but increased significantly during 2009 and into February 2010. Should commodity costs continue to increase substantially, we may not be able to completely recover such costs, through selling price increases to our customers or other product cost reductions, which would have a negative effect on our financial results. Additionally, we continue to purchase increased levels of components and finished goods from international sources. In limited cases, these components or finished goods are single-sourced. The availability of components and finished goods from international sources could be adversely impacted by, among other things, interruptions in production by suppliers, suppliers' allocations to other purchasers and new laws or regulations. This could impact our ability to deliver products to our customers on a timely basis.

Implementation of our acquisition strategy may not be successful, which could affect our ability to increase our revenues or our profitability.

One of our strategies is to increase our revenues and profitability and expand our business through acquisitions that will provide us with complementary water-related products and increase market share for our existing product lines. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies without substantial costs, delays or other problems. Also, companies acquired recently and in the future may not achieve revenues, profitability or cash flows that justify our investment in them. In 2009, we

recorded losses associated with the fairly recent CWV and TEAM acquisitions, resulting from their pending disposal and liquidation, respectively. We expect to spend significant time and effort in expanding our existing businesses and identifying, completing and integrating acquisitions. We have faced increasing competition for acquisition candidates which have resulted in significant increases in the purchase prices of many acquisition candidates. This competition, and the resulting purchase price increases, may limit the number of acquisition opportunities available to us, possibly leading to a decrease in the rate of growth of our revenues and profitability. In addition, acquisitions may involve a number of risks, including, but not limited to:

- inadequate internal controls over financial reporting and our ability to bring such controls into compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in a timely manner;
- adverse short-term effects on our reported operating results;
- diversion of management's attention;
- investigations of, or challenges to, acquisitions by competition authorities;
- loss of key personnel at acquired companies; and
- unanticipated management or operational problems or legal liabilities.

We are subject to risks related to product defects, which could result in product recalls and could subject us to warranty claims in excess of our warranty provisions or which are greater than anticipated due to the unenforceability of liability limitations.

We maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products. However, we cannot be certain that our testing will reveal latent defects in our products or the materials from which they are made, which may not become apparent until after the products have been sold into the market. We also cannot be certain that our suppliers will always eliminate latent defects in products we purchase from them. Accordingly, there is a risk that product defects will occur, which could require a product recall. Product recalls can be expensive to implement and, if a product recall occurs during the product's warranty period, we may be required to replace the defective product. In addition, a product recall may damage our relationship with our customers and we may lose market share with our customers. Our insurance policies may not cover the costs of a product recall.

Our standard warranties contain limits on damages and exclusions of liability for consequential damages and for misuse, improper installation, alteration, accident or mishandling while in the possession of someone other than us. We may incur additional operating expenses if our warranty provision does not reflect the actual cost of resolving issues related to defects in our products. If these additional expenses are significant, it could adversely affect our business, financial condition and results of operations.

We face risks from product liability and other lawsuits, which may adversely affect our business.

We have been and expect to continue to be subject to various product liability claims or other lawsuits, including, among others, that our products include inadequate or improper instructions for use or installation, or inadequate warnings concerning the effects of the failure of our products. In the event that we do not have adequate insurance or contractual indemnification, damages from these claims would have to be paid from our assets and could have a material adverse effect on our results of operations, liquidity and financial condition. We, like other manufacturers and distributors of products designed to control and regulate fluids and gases, face an inherent risk of exposure to product liability claims and other lawsuits in the event that the use of our products results in personal injury, property damage or business interruption to our customers. Although we maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products, we cannot be certain that our products will be completely free from defect. In addition, in certain cases,

we rely on third-party manufacturers for our products or components of our products. Although we have product liability and general insurance coverage, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost, or, if available, will be adequate to cover any such liabilities. For more information, see "Item 1. Business—Product Liability, Environmental and Other Litigation Matters."

Economic and other risks associated with international sales and operations could adversely affect our business and future operating results.

Since we sell and manufacture our products worldwide, our business is subject to risks associated with doing business internationally. Our business and future operating results could be harmed by a variety of factors, including:

- trade protection measures and import or export licensing requirements, which could increase our costs of doing business internationally;
- potentially negative consequences from changes in tax laws, which could have an adverse impact on our profits;
- difficulty in staffing and managing widespread operations, which could reduce our productivity;
- costs of compliance with differing labor regulations, especially in connection with restructuring our overseas operations;
- laws of some foreign countries, which may not protect our intellectual property rights to the same extent as the laws of the United States; and
- unexpected changes in regulatory requirements, which may be costly and require time to implement.

Fluctuations in foreign exchange rates could materially affect our reported results.

We are exposed to fluctuations in foreign currencies, as a portion of our sales and certain portions of our costs, assets and liabilities are denominated in currencies other than U.S. dollars. Approximately 45.1% of our sales during the year ended December 31, 2009 were from sales outside of the U.S. compared to 44.2% for the year ended December 31, 2008. For the year ended December 31, 2009, the depreciation of the euro against the U.S. dollar had a negative impact on sales of approximately $17.7 million compared to the year ended December 31, 2008. In 2008, the appreciation of the euro against the U.S. dollar had a positive impact on sales of approximately $30.2 million compared to 2007. There were also minor impacts on sales in other European currencies such as the pound sterling and Danish krone against the U.S. dollar. Additionally, our Canadian operations require significant amounts of U.S. purchases for their operations. Instead of buying or manufacturing domestically, we currently have a favorable cost structure for certain goods we source from our wholly-owned subsidiaries in China and our outside vendors. Although the value of the yuan was unchanged at 6.8 from December 31, 2008 to December 31, 2009, history has shown that when the currency does float, changes of up to 15% have occurred. Although there are currently no indicators that the yuan will appreciate or depreciate in the near term, any decision by the Chinese government to manage their currency in a different manner could result in additional volatility to the Company. The spot rate of the euro and Canadian dollar increased in value as of December 31, 2008 to December 31, 2009 by approximately 3% and 16%, respectively, against the U.S. dollar, while the yuan remained flat. If our share of revenue and purchases in non-dollar denominated currencies continues to increase in future periods, exchange rate fluctuations may have a greater impact on our results of operations and financial condition.

Our ability to achieve savings through our restructuring plans may be adversely affected by local regulations or factors beyond the control of management.

We implemented restructuring plans in 2007 and in 2009 and announced a new restructuring plan for France in 2010. Management's plans include a number of steps that we believe are necessary to reduce operating costs and increase efficiencies throughout our manufacturing, sales and distribution footprint. Although we have considered the impact of local regulations, negotiations with employee representatives, the timing of capital expenditures necessary to prepare facilities and the related costs associated with these activities, factors beyond the control of management may affect the timing and therefore affect when the savings will be achieved under the plans. Further, if we are not successful in completing the restructuring projects in the time frames contemplated or if additional issues arise during the projects that add costs or disrupt customer service, then our operating results could be negatively affected.

The requirements to evaluate goodwill and non-amortizable assets for impairment may result in a write-off of all or a portion of our recorded amounts, which would negatively affect our operating results and financial condition.

As of December 31, 2009, we recorded goodwill and non-amortizable intangible assets of $425.1 million and $51.2 million, respectively. In lieu of amortization, we are required to perform an annual impairment review of both goodwill and non-amortizable intangible assets. In performing our annual review in 2009, we recognized a non-cash pre-tax charge of approximately $3.3 million as an impairment of some of the indefinite lived intangible assets. In performing our annual goodwill review in 2008, we recognized a non-cash pre-tax charge of approximately $22.0 million as an impairment of all the goodwill value related to one reporting unit. Although we have not experienced goodwill impairment in our remaining reporting units, there can be no assurances that future goodwill impairment will not occur. We perform our annual test for indications of goodwill and non-amortizable intangible assets impairment in the fourth quarter of our fiscal year or sooner if indicators of impairment exist.

The loss or financial instability of a major customer could have an adverse effect on our results of operations.

In 2009, our top ten customers accounted for approximately 25% of our total net sales with no one customer accounting for more than approximately 6% of our total net sales. Our customers generally are not obligated to purchase any minimum volume of products from us and are able to terminate their relationships with us at any time. In addition, increases in the prices of our products could result in a reduction in orders for our customers. A significant reduction in orders from, or change in terms of contracts with, any significant customers could have a material adverse effect on our future results of operations. Furthermore, some of our major customers are facing financial challenges due to market declines and heavy debt levels; should these challenges become acute, our results could be materially adversely affected due to reduced orders and/or payment delays or defaults.

Certain indebtedness may limit our ability to pay dividends, incur additional debt and make acquisitions and other investments.

Our revolving credit facility and other senior indebtedness contain operational and financial covenants that restrict our ability to make distributions to stockholders, incur additional debt and make acquisitions and other investments unless we satisfy certain financial tests and comply with various financial ratios. If we do not maintain compliance with these covenants, our creditors could declare a default under our revolving credit facility or senior notes and our indebtedness could be declared immediately due and payable. Our ability to comply with the provisions of our indebtedness may be affected by changes in economic or business conditions beyond our control. Further, given the current condition of the credit markets, should we require additional debt financing above our existing credit limit, we cannot be assured such financing would be available to us or available to us on reasonable economic terms.

We are investigating potential violations of the Foreign Corrupt Practices Act, and the results of this investigation could have a material adverse effect on our business prospects, operations, financial condition and cash flow.

As previously disclosed, we have received information that employees of a former subsidiary of the Company in China made payments to employees of state-owned agencies. Such payments may violate the Foreign Corrupt Practices Act, or FCPA. We are conducting an investigation utilizing outside counsel and voluntarily disclosed this matter to the United States Department of Justice and the Securities and Exchange Commission. If violations are found, we may be subject to criminal and/or civil sanctions, including substantial fines. Negotiated dispositions of these types of violations also often result in an acknowledgement of wrongdoing by the entity and the appointment of a monitor on terms agreed upon with the Department of Justice and the Securities and Exchange Commission to review and monitor current and future business practices with the goal of assuring future FCPA compliance. The amount of any fines or monetary penalties which could be assessed would depend on, among other factors, findings regarding the amount, timing, nature and scope of any improper payments, whether any such payments were authorized by or made with knowledge of Watts or its affiliates, the amount of gross pecuniary gain or loss involved, and the level of cooperation provided to the government authorities during the investigation. Any determination that we have violated the FCPA could result in sanctions that could have a material adverse effect on our business prospects, operations, financial condition and cash flow.

One of our stockholders can exercise substantial influence over our Company.

Our Class B Common Stock entitles its holders to ten votes for each share and our Class A Common Stock entitles its holders to one vote per share. As of February 1, 2010, Timothy P. Horne, a member of our board of directors, beneficially owned approximately 19.5% of our outstanding shares of Class A Common Stock (assuming conversion of all shares of Class B Common Stock beneficially owned by Mr. Horne into Class A Common Stock) and approximately 99.0% of our outstanding shares of Class B Common Stock, which represents approximately 70.2% of the total outstanding voting power. As long as Mr. Horne controls shares representing at least a majority of the total voting power of our outstanding stock, Mr. Horne will be able to unilaterally determine the outcome of most stockholder votes, and other stockholders will not be able to affect the outcome of any such votes.

Conversion and sale of a significant number of shares of our Class B Common Stock could adversely affect the market price of our Class A Common Stock.

As of February 1, 2010, there were outstanding 29,505,918 shares of our Class A Common Stock and 7,193,880 shares of our Class B Common Stock. Shares of our Class B Common Stock may be converted into Class A Common Stock at any time on a one for one basis. Under the terms of a registration rights agreement with respect to outstanding shares of our Class B Common Stock, the holders of our Class B Common Stock have rights with respect to the registration of the underlying Class A Common Stock. Under these registration rights, the holders of Class B Common Stock may require, on up to two occasions, that we register their shares for public resale. If we are eligible to use Form S-3 or a similar short-form registration statement, the holders of Class B Common Stock may require that we register their shares for public resale up to two times per year. If we elect to register any shares of Class A Common Stock for any public offering, the holders of Class B Common Stock are entitled to include shares of Class A Common Stock into which such shares of Class B Common Stock may be converted in such registration. However, we may reduce the number of shares proposed to be registered in view of market conditions. We will pay all expenses in connection with any registration, other than underwriting discounts and commissions. If all of the available registered shares are sold into the public market the trading price of our Class A Common Stock could decline.

Item 1B. ***UNRESOLVED STAFF COMMENTS.***

None.

Item 2. ***PROPERTIES.***

As of December 31, 2009, we maintained approximately 70 facilities worldwide, including our corporate headquarters located in North Andover, Massachusetts. The remaining facilities consist of foundries, manufacturing facilities, warehouses, sales offices and distribution centers. The principal properties in each of our three geographic segments and their location, principal use and ownership status are set forth below:

North America:

Location	Principal Use	Owned/Leased
North Andover, MA	Corporate Headquarters	Owned
Export, PA	Manufacturing	Owned
Franklin, NH	Manufacturing/Distribution	Owned
Burlington, ON, Canada	Manufacturing/Distribution	Owned
Kansas City, KS	Manufacturing	Owned
Fort Myers, FL	Manufacturing	Owned
St. Pauls, NC	Manufacturing	Owned
Spindale, NC	Manufacturing/Distribution	Owned
Chesnee, SC	Manufacturing	Owned
Dunnellon, FL	Warehouse	Owned
San Antonio, TX	Warehouse	Owned
Springfield, MO	Manufacturing/Distribution	Leased
Peoria, AZ	Manufacturing/Distribution	Leased
Kansas City, MO	Manufacturing/Distribution	Leased
Reno, NV	Distribution Center	Leased
Calgary, AB, Canada	Distribution Center	Leased

Europe:

Location	Principal Use	Owned/Leased
Eerbeek, Netherlands	European Headquarters/Manufacturing	Owned
Biassono, Italy	Manufacturing	Owned
Brescia, Italy	Manufacturing	Owned
Landau, Germany	Manufacturing	Owned
Fresseneville, France	Manufacturing	Owned
Hautvillers, France	Manufacturing	Owned
Plovdiv, Bulgaria	Manufacturing	Owned
Vildjberg, Denmark	Manufacturing	Owned
Rosières, France	Manufacturing	Leased
Monastir, Tunisia	Manufacturing	Leased
Gardolo, Italy	Manufacturing	Leased
Sorgues, France	Manufacturing	Leased
Grenoble, France	Manufacturing	Leased
Vojens, Denmark	Warehouse	Leased

China:

Location	Principal Use	Owned/Leased
Shanghai, China	Asian Headquarters	Leased
Taizhou, Yuhuan, China	Manufacturing	Owned
Ningbo, Beilun, China	Manufacturing	Owned
Ningbo, Beilun Port, China	Distribution Center	Leased

Certain of our facilities are subject to mortgages and collateral assignments under loan agreements with long-term lenders. In general, we believe that our properties, including machinery, tools and equipment, are in good condition, well maintained and adequate and suitable for their intended uses. Many of our manufacturing plants are currently operating at levels that our management considers below normal capacity due to the current worldwide recession. As part of our continuous manufacturing footprint review, management plans to further consolidate its operations. See Recent Developments in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," for more details.

Item 3. ***LEGAL PROCEEDINGS.***

We are from time to time involved in various legal and administrative procedures. See Item 1. "Business—Product Liability, Environmental and Other Litigation Matters," which is incorporated herein by reference.

PART II

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

The following table sets forth the high and low sales prices of our Class A Common Stock on the New York Stock Exchange during 2009 and 2008 and cash dividends paid per share.

	2009			2008		
	High	Low	Dividend	High	Low	Dividend
First Quarter	**$ 25.90**	**$ 15.76**	**$ 0.11**	$ 30.75	$ 24.02	$ 0.11
Second Quarter	**22.49**	**19.30**	**0.11**	31.00	24.17	0.11
Third Quarter	**32.36**	**19.67**	**0.11**	33.00	21.89	0.11
Fourth Quarter	**32.38**	**28.15**	**0.11**	29.90	16.67	0.11

There is no established public trading market for our Class B Common Stock, which is held by members of the Horne family. The principal holders of such stock are subject to restrictions on transfer with respect to their shares. Each share of our Class B Common Stock (10 votes per share) is convertible into one share of Class A Common Stock (1 vote per share).

On February 9, 2010, we declared a quarterly dividend of eleven cents ($0.11) per share on each outstanding share of Class A Common Stock and Class B Common Stock.

Aggregate common stock dividend payments in both 2009 and 2008 were $16.2 million, which consisted of $13.0 million and $3.2 million for Class A shares and Class B shares, respectively. While we presently intend to continue to pay cash dividends, the payment of future cash dividends depends upon the Board of Directors' assessment of our earnings, financial condition, capital requirements and other factors.

The number of record holders of our Class A Common Stock as of February 19, 2010 was 156. The number of record holders of our Class B Common Stock as of February 19, 2010 was 7.

We satisfy the minimum withholding tax obligation due upon the vesting of shares of restricted stock and the conversion of restricted stock units into shares of Class A Common Stock by automatically withholding from the shares being issued a number of shares with an aggregate fair market value on the date of such vesting or conversion that would satisfy the withholding amount due.

We did not withhold any Class A Common Stock for withholding tax obligations during the quarter ended December 31, 2009.

The following table includes information with respect to repurchases we made of our Class A Common Stock during the quarter ended December 31, 2009.

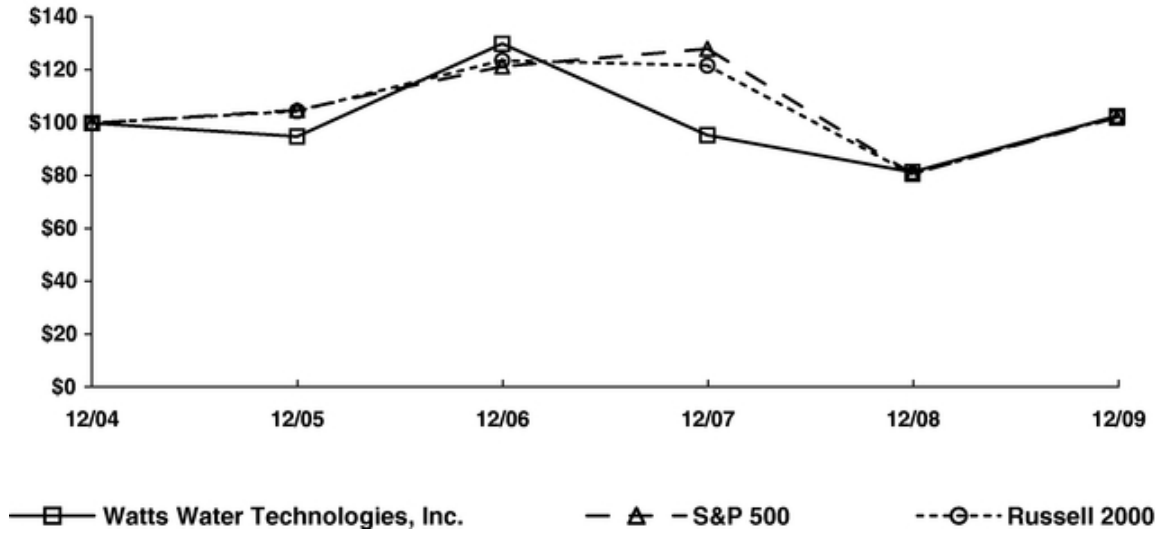
	Issuer Purchases of Equity Securities			
Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(1)
September 28, 2009 - October 25, 2009	—	—	—	553,615
October 26, 2009 - November 22, 2009	—	—	—	553,615
November 23, 2009 - December 31, 2009	—	—	—	553,615
Total	—	—	—	553,615

(1) On November 9, 2007, we announced that our Board of Directors had authorized a stock repurchase program. Under the program, we may repurchase up to an aggregate of 3.0 million shares of our Class A Common Stock in open market purchases or in privately negotiated transactions. On October 28, 2008, we announced that we had temporarily suspended our stock repurchase program. No shares were repurchased during the quarter ended December 31, 2009. As of December 31, 2008, we had repurchased 2.45 million shares of stock for a total cost of $68.1 million. We did not repurchase any shares of stock in 2009.

Performance Graph

Set forth below is a line graph comparing the cumulative total shareholder return on our Class A Common Stock for the last five years with the cumulative return of companies on the Standard & Poor's 500 Stock Index and the Russell 2000 Index. We chose the Russell 2000 Index because it represents companies with a market capitalization similar to that of Watts. The graph assumes that the value of the investment in our Class A Common Stock and each index was $100 at December 31, 2004 and that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Watts Water Technologies, Inc., The S&P 500 Index
and The Russell 2000 Index



* $100 invested on December 31, 2004 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Cumulative Total Return

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Watts Water Technologies, Inc	100.00	94.92	130.11	95.43	81.41	102.68
S & P 500	100.00	104.91	121.48	128.16	80.74	102.11
Russell 2000	100.00	104.55	123.76	121.82	80.66	102.58

The above Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Item 6. ***SELECTED FINANCIAL DATA.***

The selected financial data set forth below should be read in conjunction with our consolidated financial statements, related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

FIVE-YEAR FINANCIAL SUMMARY

(Amounts in millions, except per share and cash dividend information)

	Year Ended 12/31/09(1)(7)	Year Ended 12/31/08(2)(7)	Year Ended 12/31/07(3)(7)	Year Ended 12/31/06(4)(7)	Year Ended 12/31/05(5)(6)(7)
Statement of operations data:					
Net sales	**$ 1,225.9**	$ 1,431.4	$ 1,356.3	$ 1,211.3	$ 914.3
Net income from continuing operations attributable to Watts Water Technologies, Inc.	**41.0**	45.2	75.7	74.6	53.5
Income (loss) from discontinued operations, net of taxes	**(23.6)**	1.4	1.7	(0.9)	1.1
Net income attributable to Watts Water Technologies, Inc.	**17.4**	46.6	77.4	73.7	54.6
DILUTED EPS					
Income (loss) per share attributable to Watts Water Technologies, Inc.:					
Continuing operations	**1.10**	1.23	1.94	2.22	1.62
Discontinued operations	**(0.63)**	0.04	0.04	(0.03)	0.04
NET INCOME	**0.47**	1.26	1.99	2.19	1.66
Cash dividends declared per common share	**$ 0.44**	$ 0.44	$ 0.40	$ 0.36	$ 0.32
Balance sheet data (at year end):					
Total assets	**$ 1,591.4**	$ 1,660.1	$ 1,729.3	$ 1,660.9	$ 1,101.0
Long-term debt, net of current portion	**$ 304.0**	$ 409.8	$ 432.2	$ 441.7	$ 293.4

(1) For the year ended December 31, 2009, net income includes the following net pre-tax costs: intangible impairments, severance costs, asset write-downs and other costs in North America of $2.6 million, $1.4 million, $2.4 million and $0.4 million respectively; intangible impairments, severance costs, asset write-downs and other costs in Europe of $0.7 million, $5.2 million, $0.3 million and $0.4 million respectively; severance costs, asset write-downs and income from the gain on the sale of TWT in China of $1.3 million, $7.4 million, and $1.1 million respectively. Additionally, net income includes a tax charge of $3.9 million, or $0.11 per share, relating to previously realized tax benefits, which are expected to be recaptured as a result of our decision to restructure our operations in China. The after-tax cost of these items was $20.7 million.

(2) For the year ended December 31, 2008, net income includes the following net pre-tax costs: goodwill impairment, severance

costs, asset write-downs and other costs in North America of $22.0 million, $2.6 million, $0.4 million and $1.5 million respectively; accelerated depreciation and other costs in China of $1.0 million and $0.2 million, respectively and minority interest income of $0.2 million; severance costs in Europe of $0.2 million. The after-tax cost of these items was $21.2 million.

(3) For the year ended December 31, 2007, net income includes the following net pre-tax costs: change in estimate of workers' compensation costs of $2.9 million, severance and product line discontinuance costs in North America of $0.4 million and $3.1 million, respectively; accelerated depreciation and asset write-downs, product line discontinuance costs and severance costs in China

of $2.9 million, $0.7 million and $0.4 million, respectively, and minority interest income of $0.9 million. The after-tax cost of these items was $6.9 million.

(4) For the year ended December 31, 2006, net income includes the following net pre-tax gain: gain on sales of buildings of $8.2 million, restructuring costs consisting primarily of European severance of $2.2 million and amortization of $0.4 million, other costs consisting of accelerated depreciation and severance in our Chinese joint venture of $4.7 million and minority interest income of $1.5 million. The after-tax gain of these items was $1.5 million.

(5) For the year ended December 31, 2005, net income includes the following pre-tax costs: restructuring of $0.7 million and other costs consisting of accelerated depreciation and asset write-downs of $1.8 million. The after-tax cost of these items was $1.6 million.

(6) For the year ended December 31, 2005, net income includes a net after-tax charge of $0.9 million for a selling, general and administrative expense charge of $1.5 million related to a contingent earn-out agreement.

(7) In September 2009, the Company's Board of Directors approved the sale of its investment in Watts Valve (Changsha) Co., Ltd. (CWV) and subsequently sold CWV in January 2010. Results from operation and estimated loss on disposal are included net of tax for CWV in discontinued operations for 2009, 2008, 2007 and 2006. In May 2009, the Company liquidated its TEAM Precision Pipework, Ltd. (TEAM) business. Results from operation and loss on disposal are included net of tax from the deconsolidation of TEAM in discontinued operations for 2009, 2008, 2007, 2006 and 2005. In September 1996, we divested our Municipal Water Group of businesses, which included Henry Pratt, James Jones Company and Edward Barber and Company Ltd. Costs and expenses related to the Municipal Water Group, for 2009, 2008, 2007, 2006 and 2005 relate to legal and settlement costs associated with the James Jones Litigation. Income (loss) for total discontinued operations, net of taxes, consists of ($23.6) million, $1.4 million, $1.7 million, ($0.9) million and $1.1 million for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

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

Overview

We are a leading supplier of products for use in the water quality, water safety, water flow control and water conservation markets in both North America and Europe with a presence in Asia. For over 135 years, we have designed and manufactured products that promote the comfort and safety of people and the quality and conservation of water used in commercial and residential applications. We earn revenue and income almost exclusively from the sale of our products. Our principal product lines include:

- water quality products, including backflow preventers and check valves for preventing reverse flow within water lines and fire protection systems and point-of-use and point-of-entry water filtration and reverse osmosis systems for both commercial and residential applications;
- a wide range of water pressure regulators for both commercial and residential applications;
- drainage products for industrial, commercial, marine and residential applications;
- water supply products for commercial and residential applications;
- temperature and pressure relief valves for water heaters, boilers and associated systems;
- thermostatic mixing valves for tempering water in commercial and residential applications;
- systems for under-floor radiant applications and hydraulic pump groups for gas boiler manufacturers and renewable energy applications, including solar and heat pump control packages; and
- flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications.

Our business is reported in three geographic segments: North America, Europe and China. We distribute our products through three primary distribution channels: wholesale, do-it-yourself (DIY) and original equipment manufacturers (OEMs). Interest rates have an indirect effect on the demand for our products due to the effect such rates have on the number of new residential and commercial construction starts and remodeling projects. All three of these activities have an impact on our sales and earnings. An additional factor that has had an effect on our sales is fluctuation in foreign currencies, as a portion of our sales and certain portions of our costs, assets and liabilities are denominated in currencies other than the U.S. dollar.

We believe that the factors relating to our future growth include our ability to continue to make selective acquisitions, both in our core markets as well as in new complementary markets, regulatory requirements relating to the quality and conservation of water, increased demand for clean water, continued enforcement of plumbing and building codes and a healthy economic environment. We have completed 32 acquisitions since divesting our industrial and oil and gas business in 1999. Our acquisition strategy focuses on businesses that manufacture preferred brand name products that address our themes of water quality, water conservation, water safety and water flow control and related complementary markets. We target businesses that will provide us with one or more of the following: an entry into new markets, an increase in shelf space with existing customers, a new or improved technology or an expansion of the breadth of our water quality, water conservation, water safety and water flow control products for the residential and commercial markets.

Products representing a majority of our sales are subject to regulatory standards and code enforcement, which typically require that these products meet stringent performance criteria. Together with our commissioned manufacturers' representatives, we have consistently advocated for the development and enforcement of such plumbing codes. We are focused on maintaining stringent quality control and testing procedures at each of our manufacturing facilities in order to manufacture products

in compliance with code requirements and take advantage of the resulting demand for compliant products. We believe that the product development, product testing capability and investment in plant and equipment needed to manufacture products in compliance with code requirements, represent a barrier to entry for competitors. We believe that, over the long term, there is an increasing demand among consumers for products to ensure water quality, which creates growth opportunities for our products.

Our sales in 2009 were affected by downward pressure from a weak U.S. commercial construction marketplace. In addition, U.S. residential construction activity was at historically low levels. We continued to see marked reductions in European sales as the European economy migrated into a recession. Plant under-absorption and negative foreign currency movements affected operating results in 2009. Foreign currency movements, mainly related to the strengthening of the U.S. dollar against the euro and Canadian dollar, negatively affected 2009 diluted earnings per share by $0.03 compared to 2008. In response to these concerns, we took numerous steps to ensure we remain on a firm fiscal platform. In the latter half of 2008, we announced a reduction of the United States workforce, implemented a ten-month salary freeze in North America and initiated a review of discretionary spending in order to reduce operating expenses. In 2009, we expanded our cost savings programs on a worldwide basis. We initiated salary reductions, worker furloughs and other cost reductions in an effort to leverage our costs against anticipated lower sales volumes. Additionally, in February 2009, we expanded and accelerated our restructuring program to consolidate our manufacturing footprint in North America and China. Savings from this program will be realized in 2010. Lastly, we are continuing our implementation of lean manufacturing and Six Sigma disciplines to partially offset negative pressures on operating income.

We require substantial amounts of raw materials to produce our products, including bronze, brass, cast iron, steel, plastic and components used in products, and substantially all of the raw materials we require are purchased from outside sources. We have experienced volatility in the costs of certain raw materials, particularly copper. Bronze and brass are copper-based alloys. The spot price of copper during 2009 increased approximately 153.1% from December 31, 2008. We typically carry several months of inventory on-hand primarily due to the significant extent of our international sourcing.

A risk we face is our ability to deal effectively with changes in raw material costs. We manage this risk by monitoring related market prices, working with our suppliers to achieve the maximum level of stability in their costs and related pricing, seeking alternative supply sources when necessary, implementing cost reduction programs and passing increases in costs to our customers. Additionally from time to time we may use commodity futures contracts on a limited basis to manage this risk. We are not able to predict whether or for how long this volatility will continue.

Another risk we face in all areas of our business is competition. We consider brand preference, engineering specifications, code requirements, price, technological expertise, delivery times and breadth of product offerings to be the primary competitive factors. As mentioned previously, we believe that the product development, product testing capability and investment in plant and equipment needed to manufacture products in compliance with code requirements, represent a barrier to entry for competitors. We are committed to maintaining our capital equipment at a level consistent with current technologies, and thus we spent approximately $24.2 million in 2009 and $26.2 million in 2008.

In September 2009, our Board of Directors approved the sale of our investment in Watts Valve (Changsha) Co., Ltd. (CWV). We completed the sale of CWV in January 2010. Additionally, in May 2009, we liquidated our TEAM Precision Pipework, Ltd. (TEAM) subsidiary through an administration process under the United Kingdom law, as more fully described in Note 3 of Notes to Consolidated Financial Statements. We classified CWV and TEAM's results of operations and any related losses as discontinued operations for all periods presented.

Recent Developments

On February 9, 2010, we declared a quarterly dividend of eleven cents ($0.11) per share on each outstanding share of Class A Common Stock and Class B Common Stock.

On February 8, 2010, our Board of Directors approved a restructuring program with respect to our operating facilities in France. The restructuring program is expected to include the shutdown of three facilities, including two manufacturing sites and one distribution center. The program is expected to include pre-tax charges totaling approximately $12.5 million, including costs for severance, relocation, clean-up and certain asset write-downs, and result in the elimination of approximately 95 positions. Total net after-tax charges for this restructuring program are expected to be approximately $8.3 million ($1.1 million in non-cash charges), with costs being incurred through 2011. We expect to spend approximately $6.6 million in capital expenditures to consolidate operations. Annual cash savings, net of tax, are estimated to be $3.9 million, which we expect to fully realize by 2012. We recorded after-tax charges of approximately $3.0 million, or ($0.08) per share, in the fourth quarter of 2009 for severance and other costs related to this program.

On February 8, 2010, Daniel J. Murphy, III, one of our directors, informed the Board of his decision not to stand for re-election at our 2010 annual meeting of stockholders, which will be held on May 12, 2010. Mr. Murphy advised the Board that his decision was made for personal reasons and was not the result of any dispute or disagreement with us on any matter relating to our operations, policies or practices. Mr. Murphy currently serves as a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

Our Corporate Governance Guidelines provide that no member of the Board shall be nominated by the Board to serve as a director after he has passed his 72nd birthday, unless the Board has voted to waive the mandatory retirement age of such person as a director. Timothy P. Horne, a member of our Board, will pass his 72nd birthday in April 2010, prior to our 2010 annual meeting of stockholders. On February 8, 2010, Mr. Horne advised the Board that he does not wish to have the Board waive the mandatory retirement age for him under our Corporate Governance Guidelines, and therefore Mr. Horne will also not stand for re-election at our 2010 annual meeting of stockholders.

On January 18, 2010, David J. Coghlan was promoted to Chief Operating Officer. In his new role, Mr. Coghlan will assume responsibility for our European operations in addition to his continuing responsibilities for our operations in North America and Asia. Mr. Coghlan has served as our President of North America and Asia since June 2008.

Results of Operations

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Sales. Our business is reported in three geographic segments: North America, Europe and China. Our net sales in each of these segments for the years ended December 31, 2009 and 2008 were as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008			
	Net Sales	% Sales	Net Sales	% Sales	Change	Change to Consolidated Net Sales
	(Dollars in millions)					
North America	**$ 738.5**	**60.2%**	$ 866.2	60.5%	$ (127.7)	(8.9)%
Europe	**466.5**	**38.1**	532.0	37.2	(65.5)	(4.6)
China	**20.9**	**1.7**	33.2	2.3	(12.3)	(0.9)
Total	**$ 1,225.9**	**100.0%**	$ 1,431.4	100.0%	$ (205.5)	(14.4)%

The change in net sales is attributable to the following:

	Change in Net Sales				Change As a % of Consolidated Net Sales				Change As a % of Segment Net Sales		
	North America	Europe	China	Total	North America	Europe	China	Total	North America	Europe	China
	(Dollars in millions)										
Organic	$(123.1)	$(75.3)	$ (5.7)	$(204.1)	(8.6)%	(5.3)%	(0.4)%	(14.3)%	(14.2)%	(14.2)%	(17.2)%
Foreign exchange	(4.6)	(17.7)	0.3	(22.0)	(0.3)	(1.2)	—	(1.5)	(0.5)	(3.3)	0.9
Acquisitions	—	27.5	—	27.5	—	1.9	—	1.9	—	5.2	—
Disposal	—	—	(6.9)	(6.9)	—	—	(0.5)	(0.5)	—	—	(20.7)
Total	$(127.7)	$(65.5)	$(12.3)	$(205.5)	(8.9)%	(4.6)%	(0.9)%	(14.4)%	(14.7)%	(12.3)%	(37.0)%

The organic decline in net sales in North America was primarily due to decreased unit sales of our plumbing and heating, backflow and gas connector product lines. Organic sales into the North American wholesale market in 2009 declined by 17.9% compared to 2008. This was primarily due to decreased unit sales across most of our product lines. Organic sales into the North American DIY market in 2009 increased 0.6% compared to 2008 primarily due to incremental product line penetration at certain retail customers and selected market share gains being offset by lower sales to certain customers.

Organic net sales declined in Europe primarily due to decreased sales in the European wholesale and OEM markets. Our sales into the European wholesale market in 2009 decreased by 13.5% and our sales into the European OEM market decreased by 15.7% compared to 2008 primarily due to the markets in Italy and Germany being soft. Acquired sales growth in Europe was due to the inclusion of Blücher Metal A/S (Blücher), which was acquired on May 30, 2008.

Organic net sales declined in China primarily due to decreased sales in the Chinese export markets. China sales were also negatively affected as compared to 2008 from the disposal of TWT during the fourth quarter of 2008.

The decreases in net sales due to foreign exchange in North America and Europe were primarily due to the depreciation of the Canadian dollar and the euro, respectively, against the U.S. dollar. We cannot predict whether these currencies will continue to depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net sales.

Gross Profit. Gross profit and gross profit as a percent of net sales (gross margin) for 2009 and 2008 were as follows:

	Year Ended December 31,	
	2009	2008
	(Dollars in millions)	
Gross profit	**$ 435.1**	$ 481.8
Gross margin	**35.5%**	33.7%

Gross profit declined due to decreased sales volume, partially offset by increased gross margin. Gross margin increased by 180 basis points in 2009 compared to 2008 primarily due to lower raw material costs and fewer acquisition charges. Our European gross margin increased in 2009 compared to 2008 primarily due to the inclusion of higher margin Blücher sales and reduced acquisition costs, offset partially by plant under-absorption. Our China segment's gross margin increased as a result of operational improvements at one of our more significant facilities and the divestiture of TWT. Our North American margin also increased for 2009 when compared to last year due to lower raw material costs and cost savings initiatives offset by recessionary unit volume sales declines and plant under absorption.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, or SG&A expenses, for 2009 decreased $32.1 million, or 9.0%, compared to 2008. The decrease in SG&A expenses is attributable to the following:

	(in millions)	% Change
Organic	$ (31.1)	(8.7)%
Foreign exchange	(4.7)	(1.3)
Acquisitions	9.0	2.5
Disposal	(5.3)	(1.5)
Total	$ (32.1)	(9.0)%

The organic decrease in SG&A expenses was primarily due to decreased variable selling expenses due to lower shipments, various cost savings measures, lower product liability costs and the net settlement of two lawsuits, partially offset by increased legal and pension expenses. The decrease in SG&A expenses from foreign exchange was primarily due to the depreciation of the euro against the U.S. dollar and to a lesser extent the Canadian dollar against the U.S. dollar. The increase in SG&A expenses from acquisitions was due to the inclusion of Blücher. The reduction due to the disposal relates to the sale of TWT. Total SG&A expenses, as a percentage of sales, were 26.4% in 2009 compared to 24.8% in 2008.

Restructuring and Other Charges. In 2009, we recorded a net charge of $16.1 million primarily for asset impairments, severance and relocation costs in North America, Europe and China. Included in the 2009 restructuring and other charges is a $1.1 million gain from the 2008 disposition of TWT. The gain was deferred until all legal and regulatory matters relating to the sale of TWT were resolved. In 2008, we recorded $5.6 million for severance and relocation costs in North America and China. See Note 4 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, for additional information regarding our restructuring plans.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Charges. We recorded $3.3 million in 2009 for intangible impairment charges related to certain trademarks and technology. The goodwill impairment charge in 2008 of approximately $22.0 million related to our water quality business unit in North America. See Note 2 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, for additional information regarding these impairments.

Operating Income. Operating income by geographic segment for 2009 and 2008 was as follows:

	Years Ended			% Change to Consolidated Operating Income
	December 31, 2009	December 31, 2008	Change	
	(Dollars in millions)			
North America	**$ 78.6**	$ 67.8	$ 10.8	11.0%
Europe	**51.0**	65.7	(14.7)	(14.9)
China	**(6.6)**	(7.7)	1.1	1.1
Corporate	**(30.8)**	(27.2)	(3.6)	(3.7)
Total	**$ 92.2**	$ 98.6	$ (6.4)	(6.5)%

The change in operating income is attributable to the following:

	North America	Europe	China	Corp.	Total	Change as a % of Consolidated Operating Income: North America	Europe	China	Corp.	Total	Change as a % of Segment Operating Income: North America	Europe	China	Corp.
	(Dollars in millions)													
Organic	$ (8.2)	$ (9.4)	$ 1.6	$ (3.4)	$ (19.4)	(8.3)%	(9.5)%	1.6%	(3.5)%	(19.7)%	(12.1)%	(14.4)%	20.8%	(12.5)%
Foreign exchange	(0.7)	(1.3)	—	—	(2.0)	(0.7)	(1.3)	—	—	(2.0)	(1.0)	(2.0)	—	—
Acquisitions	—	2.4	—	—	2.4	—	2.4	—	—	2.4	—	3.7	—	—
Disposal	—	—	5.8	—	5.8	—	—	5.9	—	5.9	—	—	75.3	—
Restructuring, goodwill and other	19.7	(6.4)	(6.3)	(0.2)	6.8	20.0	(6.5)	(6.4)	(0.2)	6.9	29.1	(9.7)	(81.8)	(0.7)
Total	$ 10.8	$ (14.7)	$ 1.1	$ (3.6)	$ (6.4)	11.0%	(14.9)%	1.1%	(3.7)%	(6.5)%	16.0%	(22.4)%	(14.3)%	(13.2)%

The decrease in consolidated organic operating income was due primarily to recessionary unit volume sales declines partially offset by stronger gross margins from lower raw material costs and from reductions in variable SG&A expenses such as commissions and shipping costs and from cost savings derived from various cost reduction programs. Corporate costs increased due to increased legal and pension costs, partially offset by the recovery of past legal expenses. The Blücher acquisition accounts for the net increase in operating profits from acquisitions. China's improved organic operating profit was due to operational improvements at one of our more significant facilities. China's operating profit from disposal was due to the divestiture of TWT.

The net decrease in operating income from foreign exchange was primarily due to the depreciation of the euro against the U.S. dollar and, to a lesser extent, the Canadian dollar against the U.S. dollar. We cannot predict whether these currencies will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our operating income.

Interest Income. Interest income decreased $4.2 million, or 82.4%, in 2009 compared to 2008. This decrease was primarily a result of lower market interest rates.

Interest Expense. Interest expense decreased $4.2 million, or 16.0%, in 2009 compared to 2008, primarily due to a decrease in the average variable rates charged on the revolving credit facility and to a reduction in the amounts outstanding under the revolving credit facility.

Other (Income) Expense. Other expense decreased $10.7 million in 2009 compared to 2008, primarily because foreign currency transactions resulted in gains in 2009, while in 2008 losses were realized as a result of foreign currency movements primarily in Europe.

Income Taxes. Our effective rate for continuing operations increased to 43.3% from 36.3% in 2009 and 2008, respectively. The increase was primarily due to previously realized tax benefits in China, which are expected to be recaptured as a result of our decision to restructure our operations and intangible asset impairments that were not tax deductible. In North America, less tax exempt interest income was generated in 2009 as compared with 2008.

Net Income From Continuing Operations attributable to Watts Water Technologies, Inc. Net income from continuing operations attributable to Watts Water Technologies, Inc. in 2009 was $41.0 million, or $1.10 per common share, compared to $45.2 million, or $1.23 per common share, in 2008. Results for 2009 included after-tax charges totaling $18.1 million, or $0.49 per share, related to restructuring programs compared to an after-tax charge of $3.9 million, or $0.10 per share, for 2008. Also, results for 2009 included a non-cash net after-tax charge of $2.6 million, or $0.07 cents per share, to write off certain intangible assets. In 2008, net loss and loss from continuing operations attributable to Watts Water Technologies, Inc. included a non-cash after-tax charge of $17.3 million, or $0.47 cents per share, to write-off goodwill for one reporting unit. The depreciation of the euro and Canadian dollar against

the U.S. dollar resulted in a negative impact on our operations of $0.03 per common share in 2009 compared to last year. We cannot predict whether the euro, Canadian dollar or Chinese yuan will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net income.

Income (Loss) From Discontinued Operations. The income (loss) from discontinued operations was primarily attributable to the deconsolidation of TEAM and the loss on the disposal and loss from operations of CWV offset by the resolution of the James Jones Litigation as described in Note 3 of Notes to Consolidated Financial Statements, as described in Part I, Item 1. "Business—Product Liability, Environmental and Other Litigation Matters."

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Sales. Our net sales in each of these segments for the years ended December 31, 2008 and 2007 were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007			Change to Consolidated Net Sales
	Net Sales	% Sales	Net Sales	% Sales	Change	
	(Dollars in millions)					
North America	$ 866.2	60.5%	$ 871.0	64.2%	$ (4.8)	(0.4)%
Europe	532.0	37.2	439.8	32.4	92.2	6.8
China	33.2	2.3	45.5	3.4	(12.3)	(0.9)
Total	$ 1,431.4	100.0%	$ 1,356.3	100.0%	$ 75.1	5.5%

The change in net sales is attributable to the following:

	Change as a % of Consolidated Net Sales				Change as a % of Segment Net Sales						
	North America	Europe	China	Total	North America	Europe	China	Total	North America	Europe	China
	(Dollars in millions)										
Organic	$ (18.2)	$ 11.2	$(12.1)	$(19.1)	(1.3)%	0.9%	(0.9)%	(1.3)%	(2.1)%	2.5%	(26.6)%
Foreign exchange	0.5	30.2	3.0	33.7	—	2.2	0.2	2.4	—	6.9	6.6
Acquisitions	12.9	50.8	—	63.7	0.9	3.7	—	4.6	1.5	11.6	—
Disposal	—	—	(3.2)	(3.2)	—	—	(0.2)	(0.2)	—	—	(7.0)
Total	$ (4.8)	$ 92.2	$(12.3)	$ 75.1	(0.4)%	6.8%	(0.9)%	5.5%	(0.6)%	21.0%	(27.0)%

Organic net sales for 2008 decreased in North America primarily due to decreased sales in the wholesale market, where sales were 2.5% lower than in 2007. Unit sale declines, due in large part to the soft economy, were widespread across a number of product lines, with our backflow product line impacted the most. Organic sales in our North American retail market for 2008 remained relatively flat compared with 2007, decreasing 0.6%. Unit sale reductions in the retail market due to the soft economy were offset by selected price increases and new product rollouts. Growth in North America due to acquisitions is due to the inclusion of sales from Topway Global Inc. (Topway), acquired in November 2007.

Organic net sales for 2008 increased in Europe primarily due to an 11.0% increase in sales into the European OEM market as compared to 2007. OEM sales were positively affected in Germany where sales of our products into alternative energy and energy conservation markets were strong. Sales into the wholesale market for 2008 decreased by 4.5% as compared to 2007 and were negatively affected by declines in construction activity. Acquired sales growth in Europe was due to the inclusion of Blücher for seven months in 2008.

Organic net sales for 2008 declined in China due to decreased sales in both the Chinese domestic and export markets. China sales were also negatively affected as compared to 2007 from the disposal of a commodity butterfly valve business during the fourth quarter of 2008. This decrease was partially

offset by an increase in sales of large diameter butterfly valves to our water infrastructure customers during 2008.

The increases in net sales due to foreign exchange in North America, Europe and China were primarily due to the appreciation of the Canadian dollar, euro and yuan, respectively, against the U.S. dollar.

Gross Profit. Gross profit and gross profit as a percent of net sales (gross margin) for 2008 and 2007 were as follows:

	Year Ended December 31,	
	2008	2007
	(Dollars in millions)	
Gross profit	$ 481.8	$ 454.2
Gross margin	33.7%	33.5%

Gross margin improved by 20 basis points to 33.7% in 2008 compared to 2007. The improvement was attributable primarily to margin improvements in North America and Europe offset by declines in China. North America's margin improved 70 basis points to 34.4% primarily due to the price increases implemented to offset prior raw material cost increases and, to a lesser extent, the mix of products sold. North American gross margins in 2007 were negatively affected by approximately $6.5 million, or approximately 100 basis points on the prior year gross margin, for charges associated with product discontinuances and a change in estimate for workers' compensation costs. Gross margin in Europe increased to 32.8% from 31.4% primarily due to our ability to leverage additional volume from alternative energy product sales with better factory absorption levels due to the rationalization efforts made over the last two years in Italy. China gross margin deteriorated when compared to 2007 primarily due to excess capacity due to sales declines, value added tax increases, negative impact from the increase in the value of the Chinese yuan against the U.S. dollar and disruptions from a plant move and labor disputes.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, or SG&A expenses, for 2008 increased $28.6 million, or 8.7%, compared to 2007. The increase in SG&A expenses is attributable to the following:

	(in millions)	% Change
Organic	$ 4.0	1.2%
Foreign exchange	8.0	2.5
Acquisitions	17.8	5.4
Disposal	(1.2)	(0.4)
Total	$ 28.6	8.7%

The organic increase in SG&A expenses was primarily due to increased incentive compensation costs and increased variable European selling expenses due to increased sales volumes partially offset by decreased shipping costs and other variable North American selling expenses due to decreased sales volumes. The increase in SG&A expenses from foreign exchange was primarily due to the appreciation of the euro, yuan and Canadian dollar against the U.S. dollar. The increase in SG&A expenses from acquisitions was due to the inclusion of Blücher and Topway. Total SG&A expenses, as a percentage of sales, was 24.8% in 2008 compared to 24.1% 2007.

Restructuring and Other Charges. In 2008, we recorded $5.6 million for severance, asset write-downs and accelerated depreciation in North America, China and Europe. In 2007, we recorded $3.2 million for asset write-downs, accelerated depreciation and severance in North America and China.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Charges. The goodwill impairment charge in 2008 of approximately $22.0 million related to our water quality business unit in North America. See Note 2 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, for additional information regarding the impairment.

Operating Income. Operating income by geographic segment for 2008 and 2007 was as follows:

	Years Ended			% Change to Consolidated Operating Income
	December 31, 2008	December 31, 2007	Change	
	(Dollars in millions)			
North America	$ 67.8	$ 93.3	$ (25.5)	(20.6)%
Europe	65.7	53.2	12.5	10.1
China	(7.7)	6.6	(14.3)	(11.5)
Corporate	(27.2)	(29.1)	1.9	1.5
Total	$ 98.6	$ 124.0	$ (25.4)	(20.5)%

The change in operating income is attributable to the following:

						Change as a % of Consolidated Operating Income					Change as a % of Segment Operating Income			
	North America	Europe	China	Corp.	Total	North America	Europe	China	Corp.	Total	North America	Europe	China	Corp.
	(Dollars in millions)													
Organic	$ (2.1)	$ 6.1	$ (17.2)	$ 1.9	$ (11.3)	(1.7)%	4.9%	(13.9)%	1.5%	(9.2)%	(2.3)%	11.5%	(260.6)%	6.5%
Foreign exchange	—	3.9	(0.6)	—	3.3	—	3.2	(0.4)	—	2.8	—	7.3	(9.1)	—
Acquisitions	(0.6)	2.7	—	—	2.1	(0.5)	2.2	—	—	1.7	(0.6)	5.1	—	—
Disposal	—	—	0.8	—	0.8	—	—	0.6	—	0.6	—	—	12.1	—
Restructuring, goodwill and other	(22.8)	(0.2)	2.7	—	(20.3)	(18.4)	(0.2)	2.2	—	(16.4)	(24.4)	(0.4)	40.9	—
Total	$ (25.5)	$ 12.5	$ (14.3)	$ 1.9	$ (25.4)	(20.6)%	10.1%	(11.5)%	1.5%	(20.5)%	(27.3)%	23.5%	(216.7)%	6.5%

The decrease in consolidated organic operating income was due primarily to underutilization of capacity, in both China and, to a lesser extent, in North America caused by recessionary unit volume declines and one-off events in China such as the labor strike and a plant move. Also, SG&A expenses such as salaries, product liability costs and other fixed spending increased. These items were partially offset by higher sales and better productivity in Europe and reductions in certain SG&A expenses such as shipping, pension costs and bad debts. Corporate costs decreased as the result of lower benefit costs, including lower stock-based compensation and reduced costs from our nonqualified deferred compensation plan, and lower costs related to our Sarbanes Oxley compliance efforts and reduced legal costs.

The Blücher acquisition accounts for the net increase in operating profits from acquisitions.

The net increase in operating income from foreign exchange was primarily due to the appreciation of the euro against the U.S. dollar.

Interest Income. Interest income decreased $9.4 million, or 64.8%, in 2008 compared to 2007, primarily due to cash used to fund the Blücher acquisition and the stock buy-back program initiated in November 2007, as well as, a lower interest rate environment in 2008 as compared to 2007.

Interest Expense. Interest expense decreased $0.9 million, or 3.3%, in 2008 compared to 2007, primarily due to lower outstanding balances on the revolving credit facility partially offset by an increase in the average variable rates charged on the revolving credit facility.

Other (Income) Expense. Other expense increased $7.2 million, or 313.0%, in 2008 compared to 2007, primarily due to foreign currency transaction losses, losses on metal commodity transactions and negative changes in asset valuation of our nonqualified deferred compensation plan. Foreign currency transaction losses increased in China, Europe and Canada in 2008 as compared to 2007.

Income Taxes. Our effective tax rate for continuing operations increased to 36.3% for 2008 from 33.2% for 2007. The main driver of the increase was goodwill impairment. A portion of the goodwill relates to stock acquisitions, which when impaired is not tax deductible. Our European effective rate declined due to provision releases and favorable tax treatments related to the Blücher acquisition financing.

Net Income From Continuing Operations attributable to Watts Water Technologies, Inc. Net income from continuing operations attributable to Watts Water Technologies, Inc. in 2008 decreased $30.5 million, or 40.3%, to $45.2 million, or $1.23 per common share, from $75.7 million, or $1.94 per common share, for 2007, in each case, on a diluted basis. Repurchased shares had an accretive impact of $0.07 per common share in 2008. Income from continuing operations included an after-tax goodwill impairment charge of $17.3 million, or $0.47 per common share, for 2008. Income from continuing operations for 2007 included a tax refund of $1.9 million, or $0.05 per common share. Income from continuing operations for 2008 and 2007 included costs, net of tax, from our restructuring plan, reduction-in-force and product line discontinuances of $3.9 million, or $0.10 per common share, and $5.1 million, or $0.13 per common share, respectively. The appreciation of the euro, Chinese yuan and Canadian dollar against the U.S. dollar resulted in a positive impact on income from continuing operations of $0.07 per common share for 2008 compared to the comparable period last year.

Income From Discontinued Operations. Income from discontinued operations for 2008 and 2007 was primarily attributable to the operating income of CWV and TEAM being partially offset by increased legal fees associated with the James Jones Litigation, as described in Part I, Item 1. "Business—Product Liability, Environmental and Other Litigation Matters."

Liquidity and Capital Resources

In 2009, we generated $204.6 million of cash from operating activities as compared to $145.0 million in 2008. We generated approximately $181.2 million of free cash flow (a non-GAAP financial measure, which we reconcile below, defined as net cash provided by continuing operating activities minus capital expenditures plus proceeds from sale of assets), which compares favorably to free cash flow of $119.9 million in 2008. Free cash flow as a percentage of net income from continuing operations attributable to Watts Water Technologies, Inc. was 442% in 2009 as compared to 265% in 2008 primarily due to better working capital management, temporary decreases in commodity costs, cash containment measures and careful monitoring of our capital spending.

In 2009, we used $21.3 million of net cash from investing activities primarily for purchases of capital equipment. We expect to invest approximately $31.0 in capital equipment in 2010 as part of our ongoing commitment to improve our manufacturing capabilities. We received proceeds of $1.7 million from the sale of auction rate securities. We received $1.1 million of cash for a purchase price settlement related to a prior-year acquisition. We paid $0.4 million for earn-out payments related to an acquisition from prior years.

As of December 31, 2009, we held $5.4 million in investments with an auction reset feature, or auction rate securities (ARS), with a total par value of $6.6 million. At the time of purchase, all the auction rate securities carried an AAA credit rating. These auction rate securities are all long-term debt obligations secured by municipal bonds and student loans. During the fourth quarter of 2008, we elected to participate in a settlement offer by UBS AG (UBS). Under the terms of the settlement, we were issued rights by UBS. Each right entitles the holder to sell the underlying ARS at par to UBS at any time during the period June 30, 2010, through July 2, 2012. UBS could elect at anytime from the

settlement date through July 2, 2012 to purchase the ARS at par value. The rights are valued at $1.1 million at December 31, 2009.

Liquidity for these ARS is typically provided by an auction process, which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. Each of the auction rate securities in our investment portfolio as of December 31, 2009 has experienced failed auctions. There is no assurance that future auctions for these securities will succeed. We have classified the investment in ARS and the UBS rights as short-term investments as we will exercise our right to put the ARS on UBS at par on the earliest date possible.

We used $77.2 million of net cash from financing activities during 2009. This was primarily due to payments of debt and dividend payments.

We maintain a $350.0 million revolving credit facility with a syndicate of banks to support our acquisition program, working capital requirements and general corporate purposes. Outstanding indebtedness under the revolving credit facility bears interest at a rate determined by the type of loan plus an applicable margin determined by our debt rating, depending on the applicable base rate and our bond rating. For 2009, the average interest rate under the revolving credit facility for euro-based borrowings was approximately 2.2%. There were no borrowings under the credit facility at December 31, 2009.

Covenant compliance

Under our revolving credit facility, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2009, we were in compliance with all covenants related to the revolving credit facility. The financial ratios include a consolidated interest coverage ratio based on consolidated earnings before income taxes, interest expense, depreciation, and amortization ("Consolidated EBITDA") to consolidated interest expense, as defined in the revolving credit facility agreement. Our revolving credit facility defines Consolidated EBITDA to exclude unusual or non-recurring charges and gains. In addition, the definition excludes charges or gains associated with certain discontinued operations. We are also required to maintain a consolidated leverage ratio of consolidated funded debt to Consolidated EBITDA. Consolidated funded debt, as defined in the revolving credit facility agreement, includes all long and short-term debt, capital lease obligations and any trade letters of credit that are outstanding. Finally, we are required to maintain a consolidated net worth that exceeds a minimum net worth calculation. Consolidated net worth is defined as the total stockholders' equity as reported adjusted for any cumulative translation adjustments.

As of December 31, 2009, our actual financial ratios calculated in accordance with our revolving credit facility compared to the required levels under our revolving credit facility were as follows:

	Actual Ratio	Required Level
		Minimum level
Interest Charge Coverage Ratio	6.70 to 1.00	3.50 to 1.00
		Maximum level
Leverage Ratio	2.51 to 1.00	3.25 to 1.00
		Minimum level
Consolidated Net Worth	$857.2 million	$745.4 million

As of December 31, 2009, our actual financial ratio calculated in accordance with our senior note agreements compared to the required levels under our senior note agreements were as follows:

	Actual Ratio	Required Level
		Minimum level
Fixed Charge Coverage Ratio	4.87 to 1.00	2.00 to 1.00

In addition to the above financial ratios, the revolving credit facility and senior note agreements contain affirmative and negative covenants that include limitations on disposition or sale of assets, prohibitions on assuming or incurring any liens on assets with limited exceptions and limitations on making investments other than those permitted by the agreements.

We have several note agreements as further detailed in Note 11 of Notes to Consolidated Financial Statements. These note agreements require us to maintain a fixed charge coverage ratio of consolidated EBITDA plus consolidated rent expense during the period to consolidated fixed charges. Consolidated fixed charges are the sum of consolidated interest expense for the period and consolidated rent expense.

As of December 31, 2009, we had $314.4 million of unused credit under the revolving credit facility and $35.6 million for stand-by letters of credit outstanding on our revolving credit facility. Due primarily to the consolidated leverage ratio, we could borrow approximately $108.5 million under the existing facility, excluding the stand-by-letters of credit, before we would violate one of the above covenants.

We used $21.2 million of net cash from operating activities of discontinued operations in 2009 primarily due to the settlement of $15.3 million related to the James Jones litigation. In addition, separate from the settlement, we paid our outside counsel an additional $5.0 million for services rendered in connection with the litigation.

We used $0.3 million of net cash from investing activities of discontinued operations in 2009 primarily due to purchasing capital equipment.

Working capital (defined as current assets less current liabilities) as of December 31, 2009 was $489.8 million compared to $497.8 million as of December 31, 2008. This decrease was primarily due to reductions in inventory and accounts receivable and the classification of our $50 million 4.87% notes due in May 2010 to current liabilities offset by the increase in cash. Although, we are currently exploring alternatives in refinancing these notes, we have the ability to pay off this debt with our available cash. Cash and cash equivalents increased to $258.2 million as of December 31, 2009 compared to $165.6 million as of December 31, 2008 primarily due to fewer acquisitions costs in 2009 and to better working capital management. The ratio of current assets to current liabilities was 2.6 to 1 as of December 31, 2009 compared to 2.7 to 1 as of December 31, 2008.

2008 Cash Flows

In 2008, we generated $145.0 million of cash from operating activities as compared to $90.0 million in 2007. With management's enhanced focus in 2008 on working capital management, net working capital cash outflows decreased from $22.8 million in 2007, to a net working capital cash inflow of $45.5 million in 2008, a $68.3 million positive change. Better overall management of our inventory, accounts receivable and accounts payable drove the improvement in working capital. This change was offset to some extent by lower income from continuing operations.

We used $170.0 million of net cash for investing activities in 2008. We used approximately $167.9 million of net cash to fund the acquisition of Blücher and we spent $7.6 million for acquisition costs related to prior years acquisitions. We received proceeds of $33.3 million from the sale of auction rate securities. We invested $26.2 million in capital equipment as part of our ongoing commitment to improve our manufacturing capabilities.

We used $92.4 million of net cash from financing activities in 2008. This was primarily due to payments for our stock repurchase program, payments of debt and dividend payments, partially offset by increased borrowings under our line of credit.

We generated $0.8 million of net cash from operating activities of discontinued operations in 2008 primarily attributable to TEAM and CWV partially offset by approximately $1.2 million for defense and other legal costs we incurred in the James Jones Litigation. We also received $1.3 million for reimbursements of defense costs.

We used $2.2 million of net cash from investing activities of discontinued operations in 2008 primarily due to acquisition costs related to TEAM and to purchase capital equipment.

2007 Cash Flows

We generated $90.0 million of cash from operating activities in 2007. We experienced increases in inventory in North America and China. The increases were primarily due to increased raw material costs. There was also a decrease in accounts payable, accrued expenses and other liabilities, primarily in Europe and North America. In Europe, accounts payable declined in 2007 due to a decline in inventory. In North America, payments for cash compensation increased in 2007. Also, cash payments to cover income tax obligations were greater during 2007. Accounts receivable decreased in all three segments.

We used $84.7 million of net cash for investing activities in 2007. We invested $36.9 million in capital equipment as part of our ongoing commitment to improve our manufacturing capabilities. We invested $27.5 million in auction rate securities. We used $18.1 million to fund the acquisition of Topway. We paid $3.2 million for additional acquisition costs related to prior years acquisitions.

We used $66.5 million of net cash from financing activities in 2007. This was primarily due to payments of debt, payments for our stock repurchase program and dividend payments, partially offset by increased borrowings under our line of credit and tax benefits from the exercise of stock awards.

We generated $1.8 million of net cash from operating activities of discontinued operations in 2007 primarily attributable to CWV and TEAM. We paid approximately $0.5 million for defense costs and approximately $0.5 million for other legal costs incurred in the James Jones Litigation. We also received $1.0 million in indemnity payments.

We used $2.7 million of net cash from investing activities of discontinued operations in 2007 primarily due to acquisition costs related to CWV and to purchase capital equipment.

Non-GAAP Financial Measures

Our net debt to capitalization ratio (a non-GAAP financial measure, as reconciled below, defined as short and long-term interest-bearing liabilities less cash and cash equivalents as a percentage of the sum of short and long term interest-bearing liabilities less cash and cash equivalents plus total stockholders' equity) decreased to 9.9% for 2009 from 22.8% for 2008. The decrease resulted from decreased borrowings under our line of credit and increased cash.

We believe free cash flow to be an appropriate supplemental measure of our operating performance because it provides investors with a measure of our ability to generate cash, to repay debt and to fund acquisitions. We may not be comparable to other companies that may define free cash flow differently. Free cash flow does not represent cash generated from operating activities in accordance with GAAP. Therefore it should not be considered an alternative to net cash provided by operations as an indication of our performance. Free cash flow should also not be considered an alternative to net cash provided by operations as defined by GAAP.

A reconciliation of net cash provided by continuing operations to free cash flow is provided below:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Net cash provided by continuing operations	**$ 204.6**	$ 145.0	$ 90.0
Less: additions to property, plant, and equipment	**(24.2)**	(26.2)	(36.9)
Plus: proceeds from the sale of property, plant, and equipment	**0.8**	1.1	0.6
Free cash flow	**$ 181.2**	$ 119.9	$ 53.7

Our net debt to capitalization ratio is also a non-GAAP financial measure used by management. Management believes it to be an appropriate supplemental measure because it helps investors understand our ability to meet our financing needs and as a basis to evaluate our financial structure. Our computation may not be comparable to other companies that may define net debt to capitalization differently.

A reconciliation of long-term debt (including current portion) to net debt and our net debt to capitalization ratio is provided below:

	December 31,	
	2009	2008
	(in millions)	
Current portion of long-term debt	**$ 50.9**	$ 4.5
Plus: long-term debt, net of current portion	**304.0**	409.8
Less: cash and cash equivalents	**(258.2)**	(165.6)
Net debt	**$ 96.7**	$ 248.7

A reconciliation of capitalization is provided below:

	December 31,	
	2009	2008
	(in millions)	
Net debt	**$ 96.7**	$ 248.7
Total stockholders' equity	**879.6**	842.4
Capitalization	**$ 976.3**	$ 1,091.1
Net debt to capitalization ratio	**9.9%**	22.8%

Contractual Obligations

Our contractual obligations as of December 31, 2009 are presented in the following table:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
			(in millions)		
Long-term debt obligations, including current maturities(a)	$ 354.9	$ 50.9	$ 1.4	$ 76.5	$ 226.1
Operating lease obligations	29.0	7.8	9.9	6.3	5.0
Capital lease obligations(a)	13.6	1.3	2.7	2.7	6.9
Pension contributions(b)	34.7	10.6	10.5	0.9	12.7
Interest(c)	104.5	19.1	35.6	29.1	20.7
Earnout payments(a)	0.5	0.5	—	—	—
Other (d)	25.7	22.3	1.5	1.3	0.6
Total	$ 562.9	$ 112.5	$ 61.6	$ 116.8	$ 272.0

(a) as recognized in the consolidated balance sheet

(b) Expected pension contributions include amounts to fully fund the defined benefit pension plan through 2011. Potential funding for service costs beyond 2011 are not included in contractual obligations. Those costs are currently estimated at $5 million per year.

(c) assumes no borrowings against the revolving credit facility

(d) includes commodity, capital expenditure commitments and other benefits at December 31, 2009

We maintain letters of credit that guarantee our performance or payment to third parties in accordance with specified terms and conditions. Amounts outstanding were approximately $37.0 million as of December 31, 2009 and $39.3 million as of December 31, 2008. Our letters of credit are primarily associated with insurance coverage and to a lesser extent foreign purchases and generally expire within one year of issuance. These instruments may exist or expire without being drawn down, therefore they do not necessarily represent future cash flow obligations.

Off-Balance Sheet Arrangements

Except for operating lease commitments, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Application of Critical Accounting Policies and Key Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported. A critical accounting estimate is an assumption about highly uncertain matters and could have a material effect on the consolidated financial statements if another, also reasonable, amount were used, or, a change in the estimate is reasonably likely from period to period. We base our assumptions on historical experience and on other estimates that we believe are reasonable under the circumstances. Actual results could differ significantly from these estimates. There were no changes in our accounting policies or significant changes in our accounting estimates during 2009.

We periodically discuss the development, selection and disclosure of the estimates with our Audit Committee. Management believes the following critical accounting policies reflect its more significant estimates and assumptions.

Revenue recognition

We recognize revenue when all of the following criteria are met: (1) we have entered into a binding agreement, (2) the product has shipped and title has passed, (3) the sales price to the customer is fixed or is determinable and (4) collectability is reasonably assured. We recognize revenue based upon a determination that all criteria for revenue recognition have been met, which, based on the majority of our shipping terms, is considered to have occurred upon shipment of the finished product. Some shipping terms require the goods to be received by the customer before title passes. In those instances, revenues are not recognized until the customer has received the goods. We record estimated reductions to revenue for customer returns and allowances and for customer programs. Provisions for returns and allowances are made at the time of sale, derived from historical trends and form a portion of the allowance for doubtful accounts. Customer programs, which are primarily annual volume incentive plans, allow customers to earn credit for attaining agreed upon purchase targets from us. We record estimated reductions to revenue, made at the time of sale, for customer programs based on estimated purchase targets.

Allowance for doubtful accounts

The allowance for doubtful accounts is established to represent our best estimate of the net realizable value of the outstanding accounts receivable. The development of our allowance for doubtful accounts varies by region but in general is based on a review of past due amounts, historical write-off experience, as well as aging trends affecting specific accounts and general operational factors affecting all accounts. In North America, management specifically analyzes individual accounts receivable and establishes specific reserves against financially troubled customers. In addition, factors are developed utilizing historical trends in bad debts, returns and allowances. The ratio of these factors to sales on a rolling twelve-month basis is applied to total outstanding receivables (net of accounts specifically identified) to establish a reserve. In Europe, management develops its bad debt allowance through an aging analysis of all their accounts. In China, management specifically analyzes individual accounts receivable and establishes specific reserves as needed along with providing reserves based on aging analysis.

We uniformly consider current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. We also aggressively monitor the creditworthiness of our largest customers, and periodically review customer credit limits to reduce risk. If circumstances relating to specific customers change or unanticipated changes occur in the general business environment, our estimates of the recoverability of receivables could be further adjusted.

Inventory valuation

Inventories are stated at the lower of cost or market with costs determined primarily on a first-in first-out basis. We utilize both specific product identification and historical product demand as the basis for determining our excess or obsolete inventory reserve. We identify all inventories that exceed a range of one to four years in sales. This is determined by comparing the current inventory balance against unit sales for the trailing twelve months. New products added to inventory within the past twelve months are excluded from this analysis. A portion of our products contain recoverable materials, therefore the excess and obsolete reserve is established net of any recoverable amounts. Changes in market conditions, lower-than-expected customer demand or changes in technology or features could result in additional obsolete inventory that is not saleable and could require additional inventory reserve provisions.

In certain countries, additional inventory reserves are maintained for potential shrinkage experienced in the manufacturing process. The reserve is established based on the prior year's inventory losses adjusted for any change in the gross inventory balance.

Goodwill and other intangibles

We have made numerous acquisitions over the years which included the recognition of a significant amount of goodwill. Goodwill is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit. In 2008 and 2009, we estimated the fair value of our reporting units using an income approach based on the present value of estimated future cash flows. We believe this approach yields the most appropriate evidence of fair value as our reporting units are not easily compared to other corporations involved in similar businesses.

Intangible assets such as purchased technology are generally recorded in connection with a business acquisition. Values assigned to intangible assets are determined by an independent valuation firm based on our estimates and judgments regarding expectations of the success and life cycle of products and technology acquired. As of our October 25, 2009 testing date, we determined we had seven reporting units in continuing operations, one which had no goodwill.

We review goodwill for impairment utilizing a two-step process. The first step of the impairment test requires a comparison of the fair value of each of our reporting units to the respective carrying value. If the carrying value of a reporting unit is less than its fair value, no indication of impairment exists and a second step is not performed. If the carrying amount of a reporting unit is higher than its fair value, there is an indication that an impairment may exist and a second step must be performed. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

Inherent in our development of the present value of future cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain assumptions about future economic conditions and other market data. We develop our assumptions based on our historical results including sales growth, operating profits, working capital levels and tax rates.

We believe that the discounted cash flow model is sensitive to the selected discount rate. We use third-party valuation specialists to help develop appropriate discount rates for each reporting unit. We use standard valuation practices to arrive at a weighted average cost of capital based on the market and guideline public companies. The higher the discount rate, the lower the discounted cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions could significantly affect our valuations and result in impairments in the future.

During 2009, we recognized a non-cash pre-tax charge of approximately $3.3 million as an impairment of some of the indefinite lived intangible assets.

During the fourth quarter of 2008, we recognized an aggregate non-cash goodwill impairment charge of $22.0 million related to our water quality business unit within our North America segment. The charge reflected the challenges of the residential construction cycle, as well as the broader economic and credit environment.

As of our October 25, 2009 testing date, we had approximately $435.8 million of goodwill on our balance sheet. Our impairment testing indicated that the fair values of the reporting units exceeded the

carrying values, thereby resulting in no impairment. The results of this impairment analysis are summarized in the table below:

	Goodwill balance at October 25, 2009	Book value of reporting unit at October 25, 2009	Estimated fair value at October 25, 2009
		(in millions)	
Reporting unit			
Regulator	$ 124.2	$ 328.2	$ 406.0
Europe	153.3	362.5	422.7
Blücher	86.7	159.6	185.4
Dormont	39.2	77.7	88.8
Orion	24.6	34.2	38.2
China	7.8	53.8	83.4

The underlying analyses supporting our fair value assessment related to our outlook of the business' long-term performance, which included key assumptions as to the appropriate discount rate and long-term growth rate. In connection with our October 25, 2009 impairment test, we utilized discount rates ranging from 11.3% to 15% and long-term terminal growth rates from 3% to 5% beyond our planning periods.

Product liability and workers' compensation costs

Because of retention requirements associated with our insurance policies, we are generally self-insured for potential product liability claims and for workers' compensation costs associated with workplace accidents. For product liability cases in the U.S., management estimates expected settlement costs by utilizing loss reports provided by our third-party administrators as well as developing internal historical trend factors based on our specific claims experience. Management utilizes the internal trend factors that reflect final expected settlement costs. In other countries, we maintain insurance coverage with relatively high deductible payments, as product liability claims tend to be smaller than those experienced in the U.S. Changes in the nature of claims or the actual settlement amounts could affect the adequacy of this estimate and require changes to the provisions. Because the liability is an estimate, the ultimate liability may be more or less than reported.

Workers' compensation liabilities in the U.S. are recognized for claims incurred (including claims incurred but not reported) and for changes in the status of individual case reserves. At the time a workers' compensation claim is filed, a liability is estimated to settle the claim. The liability for workers' compensation claims is determined based on management's estimates of the nature and severity of the claims and based on analysis provided by third-party administrators and by various state statutes and reserve requirements. We have developed our own trend factors based on our specific claims experience, discounted based on risk-free interest rates. In other countries where workers' compensation costs are applicable, we maintain insurance coverage with limited deductible payments. Because the liability is an estimate, the ultimate liability may be more or less than reported and is subject to changes in discount rates.

We determine the trend factors for product liability and workers' compensation liabilities based on consultation with outside actuaries.

We maintain excess liability insurance with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

Legal contingencies

We are a defendant in numerous legal matters including those involving environmental law and product liability as discussed in more detail in Part I, Item 1. "Business—Product Liability, Environmental and Other Litigation Matters." As required by GAAP, we determine whether an

estimated loss from a loss contingency should be accrued by assessing whether a loss is deemed probable and the loss amount can be reasonably estimated, net of any applicable insurance proceeds. Estimates of potential outcomes of these contingencies are developed in consultation with outside counsel. While this assessment is based upon all available information, litigation is inherently uncertain and the actual liability to fully resolve this litigation cannot be predicted with any assurance of accuracy. Final resolution of these matters could possibly result in significant effects on our results of operations, cash flows and financial position.

Pension benefits

We account for our pension plans in accordance with GAAP, which involves recording a liability or asset based on the projected benefit obligation and the fair value of plan assets. Assumptions are made regarding the valuation of benefit obligations and the performance of plan assets. The primary assumptions are as follows:

- Weighted average discount rate—this rate is used to estimate the current value of future benefits. This rate is adjusted based on movement in long-term interest rates.

- Expected long-term rate of return on assets—this rate is used to estimate future growth in investments and investment earnings. The expected return is based upon a combination of historical market performance and anticipated future returns for a portfolio reflecting the mix of equity, debt and other investments indicative of our plan assets.

- Rates of increase in compensation levels—this rate is used to estimate projected annual pay increases, which are used to determine the wage base used to project employees' pension benefits at retirement.

We determine these assumptions based on consultation with outside actuaries and investment advisors. Any variance in these assumptions could have a significant impact on future recognized pension costs, assets and liabilities.

Income taxes

We estimate and use our expected annual effective income tax rates to accrue income taxes. Effective tax rates are determined based on budgeted earnings before taxes, including our best estimate of permanent items that will affect the effective rate for the year. Management periodically reviews these rates with outside tax advisors and changes are made if material variances from expectations are identified.

We recognize deferred taxes for the expected future consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on differences between the book values and tax bases of particular assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider estimated future taxable income and ongoing prudent tax planning strategies in assessing the need for a valuation allowance.

New Accounting Standards

In October 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard update to improve disclosures related to fair value measurements. This update will require new disclosures when significant transfers in and out of the various fair value levels occur. This update will require a reconciliation for fair value measurements using significant unobservable inputs (level 3) be prepared on a gross basis, separately presenting information about purchases, sales, issuance and settlements. In addition, this update will amend current disclosure requirements for postretirement benefit plan assets. This update will be effective for interim and annual periods beginning after December 15, 2009, except for disclosures regarding level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are evaluating the impact that this update will have but do not expect the adoption to have a material impact on our consolidated financial statements.

In October 2009, FASB issued an accounting standard update to address accounting for multiple-deliverable arrangements, specifically addressing how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This update established a hierarchy for determining the selling price of a deliverable. This standard also expands disclosures relating to an entity's multiple-deliverable revenue arrangements. This update is effective prospectively for all arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The adoption of this update is not expected to have a material impact on our consolidated financial statements.

In June 2009, FASB issued a new standard which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This standard also establishes the FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of non-governmental financial statements. This standard is effective for all interim and annual financial statements issued after September 15, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

In June 2009, FASB issued a new standard which requires an entity to perform an analysis to determine whether the variable interest or interests give it a controlling financial interest. This statement also requires an entity to regularly reassess whether the entity has a controlling financial interest in the variable interest or interests. This statement will also expand disclosures on variable interest or interests in the footnotes. This standard is effective for the first annual reporting period beginning after November 15, 2009 as well as the interim period therein. The adoption of this standard did not have a material impact on our consolidated financial statements.

In June 2009, FASB issued a new standard which eliminates the concept of a qualifying special-purpose entity as defined in other GAAP literature. This statement also establishes more stringent conditions for reporting a transfer of a portion of a financial asset as a sale and changes the initial measurement of a transferor's interest in transferred financial assets. This statement expands disclosures for interim and annual reports and is effective for the first annual reporting period beginning after November 15, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.***

We use derivative financial instruments primarily to reduce exposure to adverse fluctuations in foreign exchange rates, interest rates and costs of certain raw materials used in the manufacturing process. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives we use are instruments with liquid markets.

Our consolidated earnings, which are reported in United States dollars, are subject to translation risks due to changes in foreign currency exchange rates. This risk is concentrated in the exchange rate between the U.S. dollar and the euro; the U.S. dollar and the Canadian dollar; and the U.S. dollar and the Chinese yuan.

Our foreign subsidiaries transact most business, including certain intercompany transactions, in foreign currencies. Such transactions are principally purchases or sales of materials and are denominated in European currencies or the U.S. or Canadian dollar. We use foreign currency forward exchange contracts to manage the risk related to intercompany purchases that occur during the course of a year and certain open foreign currency denominated commitments to sell products to third parties. For 2009, the amounts recorded in other income for the change in the fair value of such contracts was immaterial.

We have historically had a low exposure on the cost of our debt to changes in interest rates. Information about our long-term debt including principal amounts and related interest rates appears in Note 11 of Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009.

We purchase significant amounts of bronze ingot, brass rod, cast iron, steel and plastic, which are utilized in manufacturing our many product lines. Our operating results can be adversely affected by changes in commodity prices if we are unable to pass on related price increases to our customers. We manage this risk by monitoring related market prices, working with our suppliers to achieve the maximum level of stability in their costs and related pricing, seeking alternative supply sources when necessary and passing increases in commodity costs to our customers, to the maximum extent possible, when they occur.

During 2008, we entered into a series of copper swap contracts to fix the price per pound of copper for one customer which expired in 2009. These swaps are classified as economic hedges, as more fully explained in Note 16 of Notes to the Consolidated Financial Statements. For the period ended December 31, 2009 and 2008, we recorded a $0.3 million gain and $1.6 million loss, respectively, associated with the copper swaps in other expense.

We used a discounted cash flow model for determining the value of the ARS and the UBS rights. As there is no active market for the ARS and the rights are non-transferable, we believe that the discounted cash flow model gives the best estimate of fair value at December 31, 2009 and 2008. The model includes assumptions that are more fully explained in Note 16 of Notes to the Consolidated Financial Statements. The most sensitive of these assumptions is the illiquidity spread. We engaged valuation experts to develop the models. The illiquidity spread increases the discount rate, thereby decreasing the estimated fair value. To value the rights issued by UBS, we used a discounted cash flow model to estimate the fair value based on the assumption we will exercise our option at the earliest convenience. While we believe the assumptions used are consistent with the current market view on the ARS and are reasonable, different assumptions could significantly affect our valuation of ARS.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

The financial statements listed in section (a) (1) of "Part IV, Item 15. Exhibits and Financial Statement Schedules" of this annual report are incorporated herein by reference.

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

None.

Item 9A. ***CONTROLS AND PROCEDURES.***

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily applies its judgment in evaluating and implementing possible controls and procedures. The effectiveness of our disclosure controls and procedures is also necessarily limited by the staff and other resources available to us and the geographic diversity of our operations. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In connection with these rules, we will continue to review and document our disclosure controls and procedures, including our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) 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

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework.

Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2009.

The independent registered public accounting firm that audited the Company's consolidated financial statements included elsewhere in this Annual Report on Form 10-K has issued an attestation report on the Company's internal control over financial reporting. That report appears immediately following this report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Watts Water Technologies, Inc.:

We have audited Watts Water Technologies, Inc.'s internal control over financial reporting 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 (COSO). Watts Water Technologies, Inc.'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 Annual 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Watts Water Technologies, Inc. maintained, in all material respects, effective internal control over financial reporting 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Watts Water Technologies, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated March 1, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
March 1, 2010

Item 9B. ***OTHER INFORMATION.***

None.

PART III

Item 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.***

Information with respect to the executive officers of the Company is set forth in Part I, Item 1 of this Report under the caption "Executive Officers and Directors" and is incorporated herein by reference. The information provided under the captions "Information as to Nominees for Director," "Corporate Governance," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for our 2010 Annual Meeting of Stockholders to be held on May 12, 2010 is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics applicable to all officers, employees and Board members. The Code of Business Conduct and Ethics is posted in the Investor Relations section of our website, *www.wattswater.com*. We will provide you with a print copy of our Code of Business Conduct and Ethics free of charge on written request to Kenneth R. Lepage, Secretary, Watts Water Technologies, Inc., 815 Chestnut Street, North Andover, MA 01845. Any amendments to, or waivers of, the Code of Business Conduct and Ethics which apply to our chief executive officer, chief financial officer, corporate controller or any person performing similar functions will be disclosed on our website promptly following the date of such amendment or waiver.

Item 11. ***EXECUTIVE COMPENSATION.***

The information provided under the captions "Director Compensation," "Corporate Governance," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report" in our definitive Proxy Statement for our 2010 Annual Meeting of Stockholders to be held on May 12, 2010 is incorporated herein by reference.

The "Compensation Committee Report" contained in our Proxy Statement shall not be deemed "soliciting material" or "filed" with the Securities and Exchange Commission or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate such information by reference into a document filed under the Securities Act or Exchange Act.

Item 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.***

The information appearing under the caption "Principal Stockholders" in the Registrant's Proxy Statement relating to the 2010 Annual Meeting of Stockholders to be held on May 12, 2010 is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2009, about the shares of Class A Common Stock that may be issued upon the exercise of stock options issued under the Company's 2004 Stock Incentive Plan, 1991 Directors' Non-Qualified Stock Option Plan, 1996 Stock Option Plan and 2003 Non-Employee Directors' Stock Option Plan and the settlement of restricted stock units granted

under our Management Stock Purchase Plan as well as the number of shares remaining for future issuance under our 2004 Stock Incentive Plan and Management Stock Purchase Plan.

	Equity Compensation Plan Information		
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,650,199(1)	$ 24.53	2,428,706(2)
Equity compensation plans not approved by security holders	None	None	None
Total	1,650,199(1)	$ 24.53	2,428,706(2)

(1) Represents 1,299,733 outstanding options under the 1991 Directors' Non-Qualified Stock Option Plan, 1996 Incentive Stock Option Plan, 2003 Non-Employee Directors' Stock Option Plan and 2004 Stock Incentive Plan, and 350,466 outstanding restricted stock units under the Management Stock Purchase Plan.

(2) Includes 1,604,860 shares available for future issuance under the 2004 Stock Incentive Plan, and 823,846 shares available for future issuance under the Management Stock Purchase Plan.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***

The information provided under the captions "Corporate Governance" and "Policies and Procedures for Related Person Transactions" in our definitive Proxy Statement for our 2010 Annual Meeting of Stockholders to be held on May 12, 2010 is incorporated herein by reference.

Item 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES.***

The information provided under the caption "Ratification of Independent Registered Public Accounting Firm" in our definitive Proxy Statement for our 2010 Annual Meeting of Stockholders to be held on May 12, 2010 is incorporated herein by reference.

PART IV

Item 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.***

(a)(1) Financial Statements

The following financial statements are included in a separate section of this Report commencing on the page numbers specified below:

Report of Independent Registered Public Accounting Firm	53
Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007	54
Consolidated Balance Sheets as of December 31, 2009 and 2008	55
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2009, 2008 and 2007	56
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007	57
Notes to Consolidated Financial Statements	58–97

(a)(2) Schedules

Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2009, 2008 and 2007	98

All other required schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are included in the Notes to the Consolidated Financial Statements.

(a)(3) Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Annual Report on Form 10-K.

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.

WATTS WATER TECHNOLOGIES, INC.

By: **/S/ PATRICK S. O'KEEFE**

Patrick S. O'Keefe
Chief Executive Officer
President and Director

DATED: March 1, 2010

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.

Signature	Title	Date
/S/ PATRICK S. O'KEEFE Patrick S. O'Keefe	Chief Executive Officer, President and Director	March 1, 2010
/S/ WILLIAM C. MCCARTNEY William C. McCartney	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 1, 2010
/S/ ROBERT L. AYERS Robert L. Ayers	Director	February 26, 2010
/S/ KENNETT F. BURNES Kennett F. Burnes	Director	February 26, 2010
/S/ RICHARD J. CATHCART Richard J. Cathcart	Director	February 26, 2010
/S/ TIMOTHY P. HORNE Timothy P. Horne	Director	February 26, 2010
/S/ RALPH E. JACKSON, JR. Ralph E. Jackson, Jr.	Director	February 26, 2010

Signature	Title	Date
/S/ KENNETH J. MCAVOY		
Kenneth J. McAvoy	Director	February 26, 2010
/S/ JOHN K. MCGILLICUDDY		
John K. McGillicuddy	Director	February 26, 2010
/S/ GORDON W. MORAN		
Gordon W. Moran	Chairman of the Board	February 26, 2010
/S/ DANIEL J. MURPHY, III		
Daniel J. Murphy, III	Director	February 26, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Watts Water Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of Watts Water Technologies, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Watts Water Technologies, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Watts Water Technologies, Inc.'s internal control over financial reporting 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 (COSO), and our report dated March 1, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
March 1, 2010

Watts Water Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

(Amounts in millions, except per share information)

	Years Ended December 31,		
	2009	2008	2007
Net sales	**$ 1,225.9**	$ 1,431.4	$ 1,356.3
Cost of goods sold	**790.8**	949.6	902.1
GROSS PROFIT	**435.1**	481.8	454.2
Selling, general and administrative expenses	**323.5**	355.6	327.0
Restructuring and other charges	**16.1**	5.6	3.2
Goodwill and other indefinite-lived intangible asset impairment charges	**3.3**	22.0	—
OPERATING INCOME	**92.2**	98.6	124.0
Other (income) expense:			
Interest income	**(0.9)**	(5.1)	(14.5)
Interest expense	**22.0**	26.2	27.1
Other	**(1.2)**	9.5	2.3
Total other expense	**19.9**	30.6	14.9
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	**72.3**	68.0	109.1
Provision for income taxes	**31.3**	24.7	36.2
INCOME FROM CONTINUING OPERATIONS	**41.0**	43.3	72.9
Income (loss) from discontinued operations, net of taxes	**(23.6)**	1.4	1.7
NET INCOME BEFORE NONCONTROLLING INTEREST	**17.4**	44.7	74.6
Plus: Net loss attributable to the noncontrolling interest	**—**	1.9	2.8
NET INCOME ATTRIBUTABLE TO WATTS WATER TECHNOLOGIES, INC.	**$ 17.4**	$ 46.6	$ 77.4
Net income from continuing operations attributable to Watts Water Technologies, Inc.	**$ 41.0**	$ 45.2	$ 75.7
Basic EPS			
Income (loss) per share attributable to Watts Water Technologies, Inc.:			
Continuing operations	**$ 1.11**	$ 1.23	$ 1.96
Discontinued operations	**(0.64)**	0.04	0.04
NET INCOME	**$ 0.47**	$ 1.27	$ 2.00
Weighted average number of shares	**37.0**	36.6	38.6
Diluted EPS			
Income (loss) per share attributable to Watts Water Technologies, Inc.:			
Continuing operations	**$ 1.10**	$ 1.23	$ 1.94
Discontinued operations	**(0.63)**	0.04	0.04
NET INCOME	**$ 0.47**	$ 1.26	$ 1.99
Weighted average number of shares	**37.1**	36.8	39.0
Dividends per share	**$ 0.44**	$ 0.44	$ 0.40

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

Watts Water Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in millions, except share information)

	December 31, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 258.2**	$ 165.6
Short-term investment securities	**6.5**	—
Trade accounts receivable, less allowance for doubtful accounts of $7.5 million in 2009 and $9.6 million in 2008	**181.3**	215.4
Inventories, net	**266.7**	333.7
Prepaid expenses and other assets	**22.1**	14.0
Deferred income taxes	**35.4**	40.1
Assets held for sale	**11.3**	—
Assets of discontinued operations	**15.3**	23.9
Total Current Assets	**796.8**	792.7
PROPERTY, PLANT AND EQUIPMENT, NET	**206.5**	231.0
OTHER ASSETS:		
Goodwill	**425.1**	417.5
Long-term investment securities	**—**	8.3
Intangible assets, net	**151.2**	166.0
Deferred income taxes	**3.0**	6.9
Other, net	**8.8**	8.9
Other noncurrent assets of discontinued operations	**—**	28.8
TOTAL ASSETS	**$ 1,591.4**	$ 1,660.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 102.3**	$ 112.5
Accrued expenses and other liabilities	**105.9**	101.4
Accrued compensation and benefits	**45.9**	41.3
Current portion of long-term debt	**50.9**	4.5
Liabilities of discontinued operations	**2.0**	35.2
Total Current Liabilities	**307.0**	294.9
LONG-TERM DEBT, NET OF CURRENT PORTION	**304.0**	409.8
DEFERRED INCOME TAXES	**43.0**	40.3
OTHER NONCURRENT LIABILITIES	**57.8**	70.6
OTHER NONCURRENT LIABILITIES OF DISCONTINUED OPERATIONS	**—**	2.1
STOCKHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value; 5,000,000 shares authorized; no shares issued or outstanding	**—**	—
Class A Common Stock, $0.10 par value; 80,000,000 shares authorized; 1 vote per share; issued and outstanding, 29,506,523 shares in 2009 and 29,250,175 shares in 2008	**3.0**	2.9
Class B Common Stock, $0.10 par value; 25,000,000 shares authorized; 10 votes per share; issued and outstanding, 7,193,880 shares in 2009 and 7,293,880 shares at 2008	**0.7**	0.7
Additional paid-in capital	**393.7**	386.9
Retained earnings	**452.1**	451.7
Accumulated other comprehensive income	**30.1**	0.2

Total Stockholders' Equity	**879.6**	842.4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,591.4**	$ 1,660.1

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

Watts Water Technologies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)

(Amounts in millions, except share information)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2006	31,239,111	$ 3.1	7,293,880	$ 0.7	$ 367.8	$ 429.6	$ 25.4	$ 826.6
Comprehensive income:								
Net income						77.4		77.4
Cumulative translation adjustment							39.1	39.1
Pension plan gain arising during the year, net of tax of $3.0 million							4.2	4.2
Comprehensive income								120.7
Impact upon adoption of new GAAP						(0.8)		(0.8)
Shares of Class A Common Stock issued upon the exercise of stock options	66,658				1.1			1.1
Tax benefit for stock options exercised					1.0			1.0
Stock-based compensation					6.0			6.0
Issuance of shares of restricted Class A Common Stock	58,726							—
Net change in restricted stock units	109,977				1.7			1.7
Repurchase and retirement of Class A Common Stock	(874,416)					(25.2)		(25.2)
Common Stock dividends						(15.6)		(15.6)
Balance at December 31, 2007	30,600,056	$ 3.1	7,293,880	$ 0.7	$ 377.6	$ 465.4	$ 68.7	$ 915.5
Comprehensive income:								
Net income						46.6		46.6
Cumulative translation adjustment							(51.8)	(51.8)
Pension plan loss arising during the year, net of tax of $9.7 million							(16.7)	(16.7)
Comprehensive loss								(21.9)
Shares of Class A Common Stock issued upon the								

exercise of stock options	85,512				1.6			1.6
Stock-based compensation					5.3			5.3
Issuance of shares of restricted Class A Common Stock	73,542							
Net change in restricted stock units	109,689				2.4			2.4
Repurchase and retirement of Class A Common Stock	(1,618,624)	(0.2)				(44.1)		(44.3)
Common Stock dividends						(16.2)		(16.2)
Balance at December 31, 2008	**29,250,175**	**$ 2.9**	**7,293,880**	**$ 0.7**	**$ 386.9**	**$ 451.7**	**$ 0.2**	**$ 842.4**
Comprehensive income:								
Net income						**17.4**		**17.4**
Cumulative translation adjustment							**26.2**	**26.2**
Pension plan gain arising during the year, net of tax of $1.4 million							**3.7**	**3.7**
Comprehensive income								**47.3**
Shares of Class B Common Stock converted to Class A Common Stock	**100,000**		**(100,000)**					
Shares of Class A Common Stock issued upon the exercise of stock options	**30,194**	**0.1**			**0.4**			**0.5**
Stock-based compensation					**4.9**			**4.9**
Issuance of net shares of restricted Class A Common Stock	**58,454**							
Net change in restricted stock units	**67,700**				**1.5**			**1.5**
Repurchase and retirement of Class A Common Stock						**(0.8)**		**(0.8)**
Common Stock dividends						**(16.2)**		**(16.2)**
Balance at December 31, 2009	**29,506,523**	**$ 3.0**	**7,193,880**	**$ 0.7**	**$ 393.7**	**$ 452.1**	**$ 30.1**	**$ 879.6**

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

Watts Water Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in millions)

	Years Ended December 31,		
	2009	**2008**	**2007**
OPERATING ACTIVITIES			
Net income attributable to Watts Water Technologies, Inc.	**$ 17.4**	$ 46.6	$ 77.4
Less: Income (loss) from discontinued operations, net of taxes	**(23.6)**	1.4	1.7
Net income from continuing operations attributable to Watts Water Technologies, Inc.	**41.0**	45.2	75.7
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Depreciation	**33.7**	31.5	28.1
Amortization	**13.1**	12.2	9.2
Loss on disposal and impairment of goodwill, property, plant and equipment and other	**12.1**	24.0	2.0
Stock-based compensation	**4.9**	5.3	6.0
Deferred income tax (benefit)	**9.4**	(18.7)	(8.2)
Changes in operating assets and liabilities, net of effects from business acquisitions and divestures:			
Accounts receivable	**38.3**	20.9	7.1
Inventories	**71.5**	15.1	(7.4)
Prepaid expenses and other assets	**(7.6)**	8.3	(1.3)
Accounts payable, accrued expenses and other liabilities	**(11.8)**	1.2	(21.2)
Net cash provided by continuing operations	**204.6**	145.0	90.0
INVESTING ACTIVITIES			
Additions to property, plant and equipment	**(24.2)**	(26.2)	(36.9)
Proceeds from the sale of property, plant and equipment	**0.8**	1.1	0.6
Investments in securities	**—**	(2.7)	(27.5)
Proceeds from sale of securities	**1.7**	33.3	0.4
Other, net	**0.7**	—	—
Business acquisitions, net of cash acquired	**(0.3)**	(175.5)	(21.3)
Net cash used in investing activities	**(21.3)**	(170.0)	(84.7)
FINANCING ACTIVITIES			
Proceeds from long-term debt	**1.7**	22.9	43.8
Payments of long-term debt	**(61.5)**	(54.9)	(71.5)
Payment of capital leases	**(1.3)**	(1.3)	(1.7)
Proceeds from share transactions under employee stock plans	**0.4**	1.6	1.1
Tax benefit of stock awards exercised	**(0.3)**	—	1.0
Payments to repurchase common stock	**—**	(44.5)	(23.6)
Dividends	**(16.2)**	(16.2)	(15.6)
Net cash used in financing activities	**(77.2)**	(92.4)	(66.5)
Effect of exchange rate changes on cash and cash equivalents	**8.0**	(5.9)	9.4
Net cash provided by (used in) operating activities of discontinued operations	**(21.2)**	0.8	1.8
Net cash used in investing activities of discontinued operations	**(0.3)**	(2.2)	(2.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**92.6**	(124.7)	(52.7)
Cash and cash equivalents at beginning of year	**165.6**	290.3	343.0
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 258.2**	$ 165.6	$ 290.3
NON CASH INVESTING AND FINANCING ACTIVITIES			
Acquisition of businesses:			
Fair value of assets acquired	**$ —**	$ 231.5	$ 23.7
Cash paid, net of cash acquired	**—**	176.8	22.7
Liabilities assumed	**$ —**	$ 54.7	$ 1.0

Acquisitions of property, plant and equipment under capital lease	**$ —**	$ —	$ 1.4
Issuance of stock under management stock purchase plan	**$ 1.5**	$ 1.6	$ 1.7
Liability for shares repurchased	**$ —**	$ —	$ 1.4
CASH PAID FOR:			
Interest	**$ 22.0**	$ 26.9	$ 27.1
Taxes	**$ 36.6**	$ 45.1	$ 48.0

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

(1) Description of Business

Watts Water Technologies, Inc. (the Company) designs, manufactures and sells an extensive line of water safety and flow control products primarily for the water quality, water conservation, water safety and water flow control markets located predominantly in North America, Europe, and China.

(2) Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority and wholly owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

Cash Equivalents

Cash equivalents consist of instruments with remaining maturities of three months or less at the date of purchase and consist primarily of money market funds, for which the carrying amount is a reasonable estimate of fair value.

Investment Securities

Investment securities at December 31, 2009 and 2008 consisted of auction rate securities (ARS) whose underlying investments were in municipal bonds and student loans and investments in rights issued by UBS, AG (UBS). The securities were purchased at par value. The rights issued by UBS were received in connection with a settlement agreement. See Note 16 for additional information regarding the rights issued by UBS. The Company classified its debt securities and investment in rights from UBS as trading securities.

Trading securities are recorded at fair value. The Company determines the fair value by obtaining market value when available from quoted prices in active markets. In the absence of quoted prices, the Company uses other inputs to determine the fair value of the investments. All changes in the fair value as well as any realized gains and losses from the sale of the securities are recorded when incurred to the consolidated statements of operations as other income or expense.

Allowance for Doubtful Accounts

Allowance for doubtful accounts includes reserves for bad debts and sales returns and allowances. The Company analyzes the aging of accounts receivable, individual accounts receivable, historical bad debts, concentration of receivables by customer, customer credit worthiness, current economic trends and changes in customer payment terms. The Company specifically analyzes individual accounts receivable and establishes specific reserves against financially troubled customers. In addition, factors are developed in certain regions utilizing historical trends of sales and returns and allowances to derive a reserve for returns and allowances.

Concentration of Credit

The Company sells products to a diversified customer base and, therefore, has no significant concentrations of credit risk. In 2009 and 2008, no one customer accounted for 10.0% or more of the Company's total sales.

(2) Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost (using primarily the first-in, first-out method) or market. Market value is determined by replacement cost or net realizable value. Historical experience is used as the basis for determining the reserve for excess or obsolete inventories.

Goodwill and Other Intangible Assets

Goodwill is recorded when the consideration paid for acquisitions exceeds the fair value of net tangible and intangible assets acquired. Goodwill and other intangible assets with indefinite useful lives are not amortized, but rather are tested annually for impairment. The test was performed as of October 25, 2009.

Assets held for sale

The Company accounts for assets held for sale when management has committed to a plan to sell the asset or group of assets, is actively marketing the asset or group of assets, the asset or group of assets can be sold in its current condition in a reasonable period of time and the plan is not expected to change. As of December 31, 2009, the Company is actively marketing two properties and one group of assets worldwide and expects to complete the sale of these assets or group of assets in the next twelve months. The Company recorded estimated losses of $7.8 million to reduce these assets or group of assets down to their estimated fair value, less any costs to sell. This amount is recorded as a component of restructuring and other costs in the consolidated statements of operations. See Note 4 for additional information associated with the Company's restructuring charges.

Impairment of Goodwill and Long-Lived Assets

The changes in the carrying amount of goodwill by geographic segment are as follows:

	North America	Europe	China	Discontinued Operations	Total
			(in millions)		
Gross balance at January 1, 2008	$ 211.0	$ 151.9	$ 6.1	$ 16.8	$ 385.8
Accumulated impairment losses	—	—	—	—	—
Net goodwill at January 1, 2008	211.0	151.9	6.1	16.8	385.8
Goodwill acquired during the period	—	89.5	3.3	—	92.8
Adjustments to goodwill during the period	0.4	—	(2.1)	(0.5)	(2.2)
Goodwill impairment charge	(22.0)	—	—	—	(22.0)
Effect of change in exchange rates used for translation	(1.1)	(20.1)	0.6	(2.5)	(23.1)
Net change in goodwill	(22.7)	69.4	1.8	(3.0)	45.5
Gross balance at December 31, 2008	$ 210.3	$ 221.3	$ 7.9	$ 13.8	$ 453.3
Accumulated impairment losses	(22.0)	—	—	—	(22.0)
Net goodwill at December 31, 2008	$ 188.3	$ 221.3	$ 7.9	$ 13.8	$ 431.3
Adjustments to goodwill during the period, net	**(0.6)**	**—**	**—**	**—**	**(0.6)**
Goodwill related to discontinued operations	**—**	**—**	**—**	**(14.5)**	**(14.5)**
Effect of change in exchange rates used for translation	**0.7**	**7.5**	**—**	**0.7**	**8.9**
Net change in goodwill	**0.1**	**7.5**	**—**	**(13.8)**	**(6.2)**
Gross balance at December 31, 2009	**$ 210.4**	**$ 228.8**	**$ 7.9**	**$ —**	**$ 447.1**
Accumulated impairment losses	**(22.0)**	**—**	**—**	**—**	**(22.0)**
Net goodwill at December 31, 2009	**$ 188.4**	**$ 228.8**	**$ 7.9**	**$ —**	**$ 425.1**

(2) Accounting Policies (Continued)

In 2008, the Company completed an assessment of the fair value of the net assets of its water quality business unit, which includes a number of businesses that were purchased over time, and recorded a pre-tax goodwill impairment charge of $22.0 million due to sales declining from prior year levels and from the Company's expectations of lower commercial and residential project activity. The Company estimated the fair value of the reporting unit using the expected present value of future cash flows.

In February 2009, the Company reached a settlement with the seller regarding a purchase price adjustment to the Core Industries, Inc. acquisition that resulted in the Company receiving $1.1 million. In May 2009, the Company deconsolidated TEAM Precision Pipework, Ltd. (TEAM). As a result of the deconsolidation, the Company reduced goodwill by $8.4 million associated with TEAM. See Note 3 for additional information relating to the deconsolidation of TEAM. In September 2009, the Company's Board of Directors approved a plan to dispose of its investment in Watts Valve (Changsha) Co., Ltd. (CWV), an indirect wholly-owned subsidiary of the Company located in China. The Company classified the net assets of CWV as a discontinued operation and recorded a decrease in the net assets to their estimated fair value less costs to sell. As a result, the Company reduced goodwill by $6.1 million associated with CWV. See Note 3 and Note 5 for additional information relating to CWV.

Goodwill is tested for impairment at least annually or more frequently if events or circumstances indicate that it is "more likely than not" that goodwill might be impaired, such as a change in business conditions. The Company performs its annual goodwill impairment assessment in the fourth quarter of each year.

Intangible assets with estimable lives and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of intangible assets with estimable lives and other long-lived assets is measured by a comparison of the carrying amount of an asset or asset group to future net undiscounted pretax cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset or asset group exceeds the related estimated fair value. Estimated fair value is based on either discounted future pretax operating cash flows or appraised values, depending on the nature of the asset. The Company determines the discount rate for this analysis based on the expected internal rate of return for the related business and does not allocate interest charges to the asset or asset group being measured. Judgment is required to estimate future operating cash flows.

In connection with the restructuring plan announced in February 2009, the Company will be closing several facilities to reduce the overall size of its manufacturing footprint. The Company concluded that it is more likely than not that the carrying amount of certain assets held and used may not be recoverable. Specifically, the Company identified a long-lived asset group primarily comprised of buildings and land use rights in China. The Company used an undiscounted future cash flow model to test the long-lived asset group based on the primary asset identified, the current economic outlook and the estimated fair value from the ultimate disposition of the asset group. The inputs used in this analysis are unobservable inputs (level 3). Based on the analysis performed, the Company recorded a $5.5 million impairment charge for one asset group in China during the quarter ended September 27, 2009. This charge is reported in restructuring and other charges in the consolidated statements of operations.

(2) Accounting Policies (Continued)

In connection with the plan to dispose of CWV, certain long-lived assets were reduced by $3.9 million to reflect their estimated fair value less cost to sell. This charge was recorded in discontinued operations as part of the $8.5 million loss on disposal.

Intangible assets include the following:

	December 31,			
	2009		2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	**$ 17.3**	**$ (8.5)**	$ 17.4	$ (7.3)
Customer relationships	**103.6**	**(31.5)**	101.1	(20.7)
Technology	**15.0**	**(4.2)**	7.5	(3.3)
Other	**13.9**	**(5.6)**	14.6	(5.3)
Total amortizable intangibles	**149.8**	**(49.8)**	140.6	(36.6)
Intangible assets not subject to amortization	**51.2**	**—**	62.0	—
Total	**$ 201.0**	**$ (49.8)**	$ 202.6	$ (36.6)

Aggregate amortization expense for amortized intangible assets for 2009, 2008 and 2007 was $13.1 million, $12.2 million and $9.2 million, respectively. Additionally, future amortization expense on amortizable intangible assets is expected to be $13.1 million for 2010, $12.7 million for 2011, $10.3 million for 2012, $9.9 million for 2013, and $9.7 million for 2014. Amortization expense is provided on a straight-line basis over the estimated useful lives of the intangible assets. The weighted-average remaining life of total amortizable intangible assets is 10.2 years. Patents, customer relationships, technology and other amortizable intangibles have weighted-average remaining lives of 8.2 years, 9.2 years, 15.2 years and 14.1 years, respectively. Intangible assets not subject to amortization primarily include trademarks.

Adjustments to indefinite lived intangible assets during the year ended December 31, 2009 relate primarily to a reclassification of one technology related intangible asset and the results from the annual impairment analysis evaluation performed as of October 25, 2009. The Company had previously classified a technology intangible asset as an indefinite lived intangible asset as it could not determine the time horizon over which that asset was expected to be used. During 2009, the Company concluded that this technology asset no longer has an indefinite life due in part to recent competition and changes in regulations. As a result, the Company increased technology amortizable intangible assets and reduced intangible assets not subject to amortization by approximately $7.5 million. The Company uses a royalty relief method to evaluate the current fair value of its trademarks and technology. Due to the decreases in sales experienced in several of its brands and technology in 2009 as well as the estimated outlook for future sales of these brands and technology, the Company recorded a pre-tax charge of $3.3 million to decrease these assets to their estimated fair value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment.

(2) Accounting Policies (Continued)

Taxes, Other than Income Taxes

Taxes assessed by governmental authorities on sale transactions are recorded on a net basis and excluded from sales, in the Company's consolidated statements of operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred 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 tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for tax benefits when the item in question meets the more-likely-than-not (greater than 50% likelihood of being sustained upon examination by the taxing authorities) threshold. During 2009, the Company reduced its unrecognized tax benefits by approximately $0.6 million as a result of finalizing the federal tax audit and by $0.4 million resulting from voluntary disclosure agreements. The Company estimates that it is reasonably possible that a portion of the currently remaining unrecognized tax benefit may be recognized by the end of 2011 as a result of the conclusion of federal and foreign income tax audits. The amount of expense accrued for penalties and interest is $0.5 million worldwide.

As of December 31, 2009, the Company had gross unrecognized tax benefits of approximately $2.8 million of which, approximately $2.5 million, if recognized, would affect the effective tax rate. The difference between the amount of unrecognized tax benefits and the amount that would impact the effective tax rate consists of the federal tax benefit of state income tax items. A reconciliation of the beginning and ending amount of unrecognized tax benefits and a separate analysis of accrued interest related to the unrecognized tax benefits is as follows:

	(in millions)
Balance at January 1, 2009	$ 2.3
Increases related to prior year tax positions	1.6
Decreases related to prior year tax positions	(0.4)
Decreases related to statute expirations	(0.1)
Settlements	(0.6)
Balance at December 31, 2009	$ 2.8

The Company is currently under audit by the Internal Revenue Service for the 2008 and 2007 tax years. The expected completion date for these audits is March 2011. The Company does not anticipate any significant adjustments at this time. Watts conducts business in a variety of locations throughout the world resulting in tax filings in numerous domestic and foreign jurisdictions. The Company is subject to tax examinations regularly as part of the normal course of business. The Company's major jurisdictions are the U.S., Canada, China, Netherlands, U.K., Germany, Italy and France. With few exceptions the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2003.

(2) Accounting Policies (Continued)

The Company accounts for interest and penalties related to uncertain tax positions as a component of income tax expense.

The statute of limitations in our major jurisdictions is open in the U.S. for the year 2006 and later; in Canada for 2005 and later; and in the Netherlands for 2005 and later.

Foreign Currency Translation

The financial statements of subsidiaries located outside the United States generally are measured using the local currency as the functional currency. Balance sheet accounts, including goodwill, of foreign subsidiaries are translated into United States dollars at year-end exchange rates. Income and expense items are translated at weighted average exchange rates for each period. Net translation gains or losses are included in other comprehensive income, a separate component of stockholders' equity. The Company does not provide for U.S. income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings.

Stock-Based Compensation

The Company records compensation expense in the financial statements for share-based awards based on the grant date fair value of those awards. Stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. The benefits associated with tax deductions in excess of recognized compensation cost are reported as a financing cash flow.

At December 31, 2009, the Company had three stock-based compensation plans with total unrecognized compensation costs related to unvested stock-based compensation arrangements of approximately $7.7 million and a total weighted average remaining term of 2.4 years. For 2009, 2008 and 2007, the Company recognized compensation costs related to stock-based programs of approximately $4.9 million, $5.3 million and $6.0 million respectively, in selling, general and administrative expenses. The Company recorded approximately $0.6 million, $0.7 million and $0.7 million of tax benefits during 2009, 2008 and 2007, respectively, for the compensation expense relating to its stock options. For 2009, 2008 and 2007, the Company recorded approximately $1.2 million, $1.1 million and $1.3 million respectively, of tax benefit for its other stock-based plans. For 2009, 2008 and 2007, the recognition of total stock-based compensation expense impacted both basic and diluted net income per common share by $0.08, $0.10 and $0.10, respectively.

Net Income Per Common Share

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding. The calculation of diluted income per share assumes the conversion of all dilutive securities (see Note 13).

(2) Accounting Policies (Continued)

Net income attributable to Watt's Water Technologies, Inc. and number of shares used to compute net income per share, basic and assuming full dilution, are reconciled below:

	Years Ended December 31,								
	2009			2008			2007		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
	(Amounts in millions, except per share information)								
Basic EPS	**$ 17.4**	**37.0**	**$ 0.47**	$ 46.6	36.6	$ 1.27	$ 77.4	38.6	$ 2.00
Dilutive securities principally common stock options	**—**	**0.1**	**—**	—	0.2	(0.01)	—	0.4	(0.01)
Diluted EPS	**$ 17.4**	**37.1**	**$ 0.47**	$ 46.6	36.8	$ 1.26	$ 77.4	39.0	$ 1.99

The computation of diluted net income per share for the years ended December 31, 2009, 2008 and 2007 excludes the effect of the potential exercise of options to purchase approximately 0.9 million, 1.0 million and 0.5 shares, respectively, because the exercise price of the option was greater than the average market price of the Class A Common Stock, as the effect would have been anti-dilutive.

During the years ended December 31, 2008 and 2007, the Company repurchased approximately 1.6 million shares and 0.9 million shares, respectively, of its Class A Common Stock.

Derivative Financial Instruments

In the normal course of business, the Company manages risks associated with commodity prices, foreign exchange rates and interest rates through a variety of strategies, including the use of hedging transactions, executed in accordance with the Company's policies. The Company's hedging transactions include, but are not limited to, the use of various derivative financial and commodity instruments. As a matter of policy, the Company does not use derivative instruments unless there is an underlying exposure. Any change in value of the derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. The Company does not use derivative instruments for trading or speculative purposes.

Derivative instruments may be designated and accounted for as either a hedge of a recognized asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). For a fair value hedge, both the effective and ineffective portions of the change in fair value of the derivative instrument, along with an adjustment to the carrying amount of the hedged item for fair value changes attributable to the hedged risk, are recognized in earnings. For a cash flow hedge, changes in the fair value of the derivative instrument that are highly effective are deferred in accumulated other comprehensive income or loss until the underlying hedged item is recognized in earnings.

If a fair value or cash flow hedge were to cease to qualify for hedge accounting or be terminated, it would continue to be carried on the balance sheet at fair value until settled, but hedge accounting would be discontinued prospectively. If a forecasted transaction was no longer probable of occurring, amounts previously deferred in accumulated other comprehensive income would be recognized immediately in earnings. On occasion, the Company may enter into a derivative instrument that does not qualify for hedge accounting because it is entered into to offset changes in the fair value of an underlying transaction which is required to be recognized in earnings (natural hedge). These instruments are reflected in the Consolidated Balance Sheets at fair value with changes in fair value recognized in earnings.

(2) Accounting Policies (Continued)

Foreign currency derivatives include forward foreign exchange contracts primarily for Canadian dollars. Metal derivatives included commodity swaps for copper. During 2009 and 2008, the Company used a copper swap as a means of hedging exposure to metal prices (see Note 16).

Portions of the Company's outstanding debt are exposed to interest rate risks. The Company monitors its interest rate exposures on an ongoing basis to maximize the overall effectiveness of its interest rates.

Shipping and Handling

Shipping and handling costs included in selling, general and administrative expense amounted to $31.4 million, $39.4 million and $38.9 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Research and Development

Research and development costs included in selling, general, and administrative expense amounted to $17.8 million, $17.5 million and $15.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Revenue Recognition

The Company recognizes revenue when all of the following criteria have been met: the Company has entered into a binding agreement, the product has been shipped and title passes, the sales price to the customer is fixed or is determinable, and collectability is reasonably assured. Provisions for estimated returns and allowances are made at the time of sale, and are recorded as a reduction of sales and included in the allowance for doubtful accounts in the Consolidated Balance Sheets. The Company records provisions for sales incentives (primarily volume rebates), as an adjustment to net sales, at the time of sale based on estimated purchase targets.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In October 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard update to improve disclosures related to fair value measurements. This update will require new disclosures when significant transfers in and out of the various fair value levels occur. This update will require a reconciliation for fair value measurements using significant unobservable inputs (level 3) be prepared on a gross basis, separately presenting information about purchases, sales, issuance and settlements. In addition, this update will amend current disclosure requirements for postretirement benefit plan assets. This update will be effective for interim and annual periods beginning after December 15, 2009, except for disclosures regarding level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those

(2) Accounting Policies (Continued)

fiscal years. The Company is evaluating the impact that this update will have but does not expect the adoption to have a material impact on its consolidated financial statements.

In October 2009, the FASB issued an accounting standard update to address accounting for multiple-deliverable arrangements, specifically addressing how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This update established a hierarchy for determining the selling price of a deliverable. This standard also expands disclosures relating to an entity's multiple-deliverable revenue arrangements. This update is effective prospectively for all arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The adoption of this update is not expected to have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued a new standard which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with Generally Accepted Accounting Principles (GAAP) in the United States (the GAAP hierarchy). This standard also establishes the FASB Accounting Standards Codification (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of non-governmental financial statements. This standard is effective for all interim and annual financial statements issued after September 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued a new standard which requires an entity to perform an analysis to determine whether the variable interest or interests give it a controlling financial interest. This statement also requires an entity to regularly reassess whether the entity has a controlling financial interest in the variable interest or interests. This statement will also expand disclosures on variable interest or interests in the footnotes. This standard is effective for the first annual reporting period beginning after November 15, 2009 as well as the interim period therein. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued a new standard which eliminates the concept of a qualifying special-purpose entity as defined in other GAAP literature. This statement also establishes more stringent conditions for reporting a transfer of a portion of a financial asset as a sale and changes the initial measurement of a transferor's interest in transferred financial assets. This statement expands disclosures for interim and annual reports and is effective for the first annual reporting period beginning after November 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

(3) Discontinued Operations

In September 2009, the Company's Board of Directors approved the sale of its investment in CWV. CWV is a manufacturer of large diameter hydraulic-actuated butterfly valves for thermo-power and hydro-power plants, water distribution projects and water works projects in China. Management determined that CWV's business no longer fit strategically with the Company. The Company completed the sale of CWV in January 2010. See Note 5 for further information related to CWV.

The Company evaluated the classification of the assets and liabilities of CWV and concluded that the net assets qualified as discontinued operations. The Company evaluated the fair value less cost to sell of the net assets of CWV and recorded an estimated pre-tax non-cash loss of approximately $8.5 million based on the final agreement with the buyer (level 1). The Company concluded that the future cash flows associated with CWV will be completely eliminated from the continuing operations of

(3) Discontinued Operations (Continued)

the Company. As such, the Company classified CWV's result of operations and the loss from the disposition as discontinued operations for all periods presented.

In May 2009, the Company liquidated its TEAM business, located in Ammanford, U.K. TEAM custom designed and manufactured manipulated pipe and hose tubing assemblies and served the heating, ventilation and air conditioning and automotive markets in Western Europe. Management determined the business no longer fit strategically with the Company and that a sale of TEAM was not feasible. On May 22, 2009, the Company appointed an administrator for TEAM under the United Kingdom Insolvency Act of 1986. During the administration process, the administrator has sole control over, and responsibility for, TEAM's operations, assets and liabilities. The Company deconsolidated TEAM when the administrator obtained control of TEAM. The deconsolidation resulted in the recognition of a $18.0 million pre-tax non-cash loss in 2009. The Company evaluated the operations of TEAM and determined that it will not have a continuing involvement in TEAM's operations and cash flows. As a result of the loss of control, TEAM's cash flows and operations have been eliminated from the continuing operations of the Company. As such, the Company has classified TEAM's results of operations and the loss from deconsolidation as discontinued operations for all periods presented.

In September 1996, the Company divested its Municipal Water Group businesses, which included Henry Pratt, James Jones Company and Edward Barber and Company Ltd. The discontinued operating expense for 2009 and 2008 are related to the operations and write-off of TEAM, operations and estimated loss on the net assets of CWV and legal costs, net of reserve adjustments, associated with the James Jones Litigation (see Note 15).

Condensed operating statements for discontinued operations are summarized below:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Operating income (loss)—TEAM	**$ (0.3)**	$ 0.4	$ 0.6
Operating income (loss)—CWV	**(5.3)**	2.0	1.3
Costs and expenses—Municipal Water Group	**(0.3)**	(1.1)	(0.4)
Write down of net assets—CWV	**(8.5)**	—	—
Adjustments to reserves for litigation—Municipal Water Group	**9.5**		
Loss on disposal—TEAM	**(18.0)**	—	—
Income (loss) before income taxes	**(22.9)**	1.3	1.5
Income tax expense (benefit)	**0.7**	(0.1)	(0.2)
Income (loss) from discontinued operations, net of taxes	**$ (23.6)**	$ 1.4	$ 1.7

The Company did not recognize any tax benefits on the write down of net assets of CWV as the Company does not believe that it is more likely than not that the tax benefits would be realized.

(3) Discontinued Operations (Continued)

Revenues reported in discontinued operations are as follows:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Revenues—CWV	**$ 11.5**	$ 14.0	$ 13.2
Revenues—TEAM	**2.6**	13.9	12.8
Total revenues—discontinued operations	**$ 14.1**	$ 27.9	$ 26.0

The carrying amounts of major classes of assets and liabilities at December 31, 2009 and December 31, 2008 associated with discontinued operations are as follows:

	December 31, 2009	December 31, 2008
	(in millions)	
Accounts receivable	**$ 4.2**	$ 5.9
Inventories	**4.2**	5.3
Prepaid expenses and other assets	**2.3**	1.9
Property, plant & equipment, net	**1.3**	6.4
Deferred income taxes	**1.8**	10.8
Intangible assets	**1.5**	8.6
Goodwill	**—**	13.8
Assets of discontinued operations	**$ 15.3**	$ 52.7
Accounts payable	**$ 2.1**	$ 2.7
Accrued expenses and other liabilities	**(0.6)**	32.5
Deferred taxes payable	**0.5**	2.1
Liabilities of discontinued operations	**$ 2.0**	$ 37.3

(4) Restructuring and Other (Income) Charges

The Company's Board of Directors approves all major restructuring programs that involve the discontinuance of product lines or the shut down of facilities. From time to time, the Company takes additional restructuring actions including involuntary terminations that are not part of a major program. The Company accounts for these costs in the period that the individual employees are notified or the liability is incurred. These costs are included in restructuring and other charges in the

(4) Restructuring and Other (Income) Charges (Continued)

Company's consolidated statements of operations. The Company also includes as part of other charges costs associated with asset impairments. A summary of the cost by restructuring program is as follows:

	December 31,		
	2009	2008	2007
	(in millions)		
Restructuring costs:			
2007 Actions	**$ 3.2**	$ 3.8	$ 5.1
2009 Actions	**9.3**	—	—
2010 Actions	**4.6**	—	—
Other Actions	**1.8**	2.1	2.4
Total restructuring costs incurred	**18.9**	5.9	7.5
Gain on sale of TWT	**(1.1)**	—	—
Non-controlling interest	**—**	(0.2)	(0.9)
Net restructuring costs and other charges	**$ 17.8**	$ 5.7	$ 6.6

The Company recorded net pre-tax restructuring and other charges in its business segments as follows:

	December 31,		
	2009	2008	2007
	(in millions)		
North America	**$ 4.3**	$ 4.5	$ 3.5
Europe	**5.9**	0.2	—
China (net of non-controlling interest)	**7.6**	1.0	3.1
Total	**$ 17.8**	$ 5.7	$ 6.6

For 2009, pre-tax costs of $1.7 million recorded in costs of goods sold were primarily for accelerated depreciation. Net pre-tax costs of $16.1 million recorded in restructuring and other charges included $8.0 million in severance costs and $9.2 million in other charges, principally $8.4 million in impairment charges for certain long-lived assets and $0.8 million of relocation costs associated with the 2009 actions described below, offset by a $1.1 million gain from the disposition of Tianjin Tanggu Watts Valve Co. Ltd. (TWT). The TWT gain was deferred from the year ended December 31, 2008 until local government approvals were finalized. Of the $8.0 million in severance costs, approximately $1.6 million relates to involuntary termination benefits incurred during 2009 which were not part of a previously announced restructuring plan, $4.2 million were associated with the 2010 actions described below, $1.7 million were associated with the 2009 actions described below and $0.5 million related primarily to involuntary termination benefits and relocation expenses associated with the 2007 actions described below.

Also, during 2009, the Company recorded a tax charge of $3.9 million related to previously realized tax benefits in China, which the Company expects will be recaptured as a result of the Company's decision to restructure its operations in 2009. This tax charge is part of the 2009 actions.

For 2008, pre-tax costs of $0.3 million recorded in costs of goods sold were primarily for accelerated depreciation. Pre-tax costs of $5.6 million recorded in restructuring and other charges were primarily severance costs, asset write-downs, accelerated depreciation related to the Company's

(4) Restructuring and Other (Income) Charges (Continued)

relocation of its then 60% owned Chinese joint venture. Of the $5.6 million in restructuring costs, approximately $2.2 million relates to involuntary termination benefits incurred during 2008 which were not part of a previously announced restructuring plan and $3.4 million related primarily to involuntary termination benefits and relocation expenses associated with the 2007 actions described below. The Company also recognized income of $0.2 million in non-controlling interest representing the 40% liability of its then Chinese joint venture partner in the restructuring plan.

For 2007, the Company recorded pre-tax charges of approximately $7.5 million. Pre-tax costs of $4.3 million recorded in costs of goods sold were primarily for product line discontinuances, of which $1.2 million relates to product line discontinuances and accelerated depreciation related to the Company's relocation of its then 60% owned Chinese joint venture which were not part of a previously announced restructuring plan. Pre-tax costs of $3.2 million recorded in restructuring and other charges consisted of $2.0 million for asset write-downs and severance costs in both China and North America and $1.2 million of accelerated depreciation related to the Company's relocation of its then 60% owned Chinese joint venture which was not part of a previously announced restructuring plan. The Company also recognized income of $0.9 million in minority interest representing the 40% liability of its then Chinese joint venture partners in the restructuring plan.

The following information outlines the Company's current restructuring plans.

2007 Actions

During 2007, the Company undertook a review of certain product lines and its overall manufacturing capacity. Based on that review, the Company initiated a global restructuring program that was approved by the Company's Board of Directors on October 30, 2007. The Company also discontinued certain product lines. This program included the shutdown of several manufacturing facilities and the right-sizing of another facility. The restructuring program and charges for certain product line discontinuances was expected to include pre-tax charges totaling approximately $12.9 million. Charges were primarily for asset write-downs and expected net losses on asset disposals, severance costs and facility exit and other costs. Annual cash savings, net of tax, are estimated to be $1.1 million, which are expected to be fully realized by 2010.

The Company reviewed the remaining activities associated with the 2007 actions associated with Europe. Due in large part to this review, the Company has concluded that no further charges will be incurred under this program. In February 2010, the Company's Board of Directors approved a new program for Europe to be launched in 2010 that will include some of the components identified in the 2007 actions. The following table presents the total pre-tax charges incurred for the global restructuring program and product line discontinuances initiated in 2007 by the Company's reportable segments:

Reportable Segment	Total Expected Costs	Incurred through December 31, 2009
	(in millions)	
North America	$ 5.7	$ 8.6
Europe	3.9	0.6
China (exclusive of non-controlling interest)	3.3	2.9
Total	$ 12.9	$ 12.1

North America incurred restructuring costs in excess of the planned amount primarily due to the write-down of a vacated facility to its estimated fair value. As part of the 2007 plan, the Company

(4) Restructuring and Other (Income) Charges (Continued)

closed one facility and consolidated the operations into an existing facility. The plan, when created, called for the sale of the building once vacated. The plan did not anticipate the significant downturn in the commercial real estate market, which occurred shortly after the consolidation was completed in 2008. As a result of the continued poor commercial real estate market conditions, in 2009 the Company recorded a reduction in the carrying cost of the building to its estimated fair value, less the estimated costs to sell, of $2.3 million. The remaining excess was primarily as a result of higher costs incurred to complete the consolidation of the two facilities than originally anticipated.

The following table summarizes incurred cost for 2007 restructuring actions by segment:

	Costs incurred Year Ended December 31, 2009	Costs incurred Year Ended December 31, 2008	Costs incurred Year Ended December 31, 2007
		(in millions)	
North America	**$ 2.8**	$ 2.3	$ 3.5
Europe	**0.4**	0.2	—
China (exclusive of minority interest)	**—**	1.3	1.6
Total	**$ 3.2**	$ 3.8	$ 5.1

Details of the Company's 2007 restructuring actions through December 31, 2009 are as follows:

	Severance	Asset write-downs	Product line discontinuance	Facility exit and other	Total
			(in millions)		
Balance as of December 31, 2006	$ —	$ —	$ —	$ —	$ —
Net pre-tax restructuring charges	0.6	1.3	3.1	0.1	5.1
Utilization	(0.5)	(1.3)	(3.1)	(0.1)	(5.0)
Balance at December 31, 2007	0.1	—	—	—	0.1
Net pre-tax restructuring charges	1.5	0.6	—	1.7	3.8
Utilization	(1.6)	(0.6)	—	(1.7)	(3.9)
Balance at December 31, 2008	—	—	—	—	—
Net pre-tax restructuring charges	**0.5**	**2.6**	**—**	**0.1**	**3.2**
Utilization	**(0.5)**	**(2.6)**	**—**	**(0.1)**	**(3.2)**
Balance at December 31, 2009	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

The following table summarizes the incurred cost for 2007 restructuring actions by type:

	Severance	Asset write-downs	Product line discontinuance	Facility exit and other	Total
			(in millions)		
Costs incurred—year ended December 31, 2007	$ 0.6	$ 1.3	$ 3.1	$ 0.1	$ 5.1
Costs incurred—year ended December 31, 2008	1.5	0.6	—	1.7	3.8
Costs incurred—year ended December 31, 2009	**0.5**	**2.6**	**—**	**0.1**	**3.2**
Total costs at December 31, 2009	**$ 2.6**	**$ 4.5**	**$ 3.1**	**$ 1.9**	**$ 12.1**

Other consists primarily of relocation costs.

(4) Restructuring and Other (Income) Charges (Continued)

2008 Actions

In 2008, the Company announced a reduction-in-force in its United States workforce. The severance charge of $2.2 million, recorded in 2008, was included in restructuring and other charges related to its North America segment and was substantially spent by the end of 2008.

2009 Actions

On February 8, 2009, the Board of Directors approved a plan to expand the Company's program to consolidate its manufacturing footprint in North America and China. The plan provides for the closure of three additional plants, with those operations being moved to existing facilities in either North America or China or relocated to a new central facility in the United States.

The footprint consolidation pre-tax charge was estimated at approximately $11.7 million, including severance charges of approximately $3.2 million, relocation costs of approximately $3.3 million and asset write-downs of approximately $5.2 million. One-time tax charges of approximately $3.9 million were incurred as part of the relocations. The Company may incur an additional one-time tax charge in connection with the restructuring activities that could range from $0 to $4.4 million, depending on the Company's final plans. Approximately 400 positions could be eliminated by this program. The net after-tax charge for this manufacturing consolidation program is expected to range from $12.8 to $17.2 million ($4.4 million non cash), with costs being incurred in fiscal 2009 and 2010. The Company expects to spend approximately $4.8 million in capital expenditures to consolidate operations.

The Company is still evaluating the remaining plant consolidations originally anticipated with the 2009 actions. The original plan called for the closure and relocation of the manufacturing activities associated with two facilities located in China. The Company has substantially completed the closure and relocation of one of the facilities during 2009. Throughout 2009, the other facility identified in the plan that was to be closed has improved its operations substantially. Due to this improvement, the Company is evaluating if the closure and relocation of the manufacturing activities for this location is still an appropriate action to take. The Company expects to conclude on the additional actions in 2010.

The following table summarizes the total estimated pre-tax charges expected, incurred and remaining cost for the footprint consolidation-restructuring program initiated in 2009 by the Company's reportable segments:

Reportable Segment	Total Expected Costs	Incurred through December 31, 2009	Remaining Costs
		(in millions)	
North America	$ 2.7	$ 0.8	$ 1.9
China	9.0	8.5	0.5
Total	$ 11.7	$ 9.3	$ 2.4

(4) Restructuring and Other (Income) Charges (Continued)

Details of the Company's footprint consolidation-restructuring program through December 31, 2009 are as follows:

	Severance	Asset write-downs	Facility exit and other	Total
		(in millions)		
Balance at December 31, 2008	$ —	$ —	$ —	$ —
Net pre-tax restructuring charges	**1.8**	**7.4**	**0.1**	**9.3**
Utilization	**(1.8)**	**(7.4)**	**(0.1)**	**(9.3)**
Balance at December 31, 2009	$ —	$ —	$ —	$ —

2010 Actions

On February 8, 2010, the Board of Directors approved a restructuring program with respect to the Company's operating facilities in France. The restructuring program is expected to include the shutdown of three facilities, including two manufacturing sites and one distribution center. The program is expected to include pre-tax charges totaling approximately $12.5 million, including costs for severance, relocation, clean-up and certain asset write-downs, and result in the elimination of approximately 95 positions. Total net after-tax charges for this restructuring program are expected to be approximately $8.3 million ($1.1 million in non-cash charges), with costs being incurred through 2011. The Company expects to spend approximately $6.6 million in capital expenditures to consolidate operations. Annual cash savings, net of tax, are estimated to be $3.9 million, which the Company expects to fully realize by 2012. The Company recorded certain severance costs related to this program in 2009 as the amounts related to contractual or statutory obligations.

Reportable Segment	Total Expected Costs	Incurred through December 31, 2009	Remaining Costs
		(in millions)	
Europe	$ 12.5	$ 4.6	$ 7.9

Details of the Company's footprint consolidation-restructuring program through December 31, 2009 are as follows:

	Severance	Asset write-downs	Facility exit and other	Total
		(in millions)		
Balance at December 31, 2008	$ —	$ —	$ —	$ —
Net pre-tax restructuring charges	**4.2**	**—**	**0.4**	**4.6**
Utilization	**—**	**—**	**(0.4)**	**(0.4)**
Balance at December 31, 2009	$ **4.2**	$ —	$ —	$ **4.2**

(5) Business Acquisitions and Disposition

On May 30, 2008, the Company acquired all of the outstanding stock of Blücher Metal A/S (Blücher) for approximately $183.5 million. The purchase price consisted of $170.1 million in cash and the assumption of debt of $13.4 million, net of cash acquired. Blücher is a leading provider of stainless steel drainage systems in Europe to the residential, commercial and industrial market places and is a worldwide leader in providing stainless steel drainage products to the marine industry. Blücher provides

(5) Business Acquisitions and Disposition (Continued)

the Company with a new product platform in Europe while allowing the Company to offer a broader product line to its existing customer base. The Company completed a purchase price allocation that resulted in the recognition of $64.5 million in intangible assets and $89.5 million in goodwill. Intangible assets are comprised primarily of customer relationships and patents with estimated lives of 10 years and trade names with indefinite lives. The consolidated results of operations include the results of Blücher since the acquisition date of May 30, 2008.

During the second quarter of 2008, the Company completed the acquisition of the remaining 40% ownership of its joint venture in China, TWT, for $3.3 million in cash. TWT manufactured products to support the U.S. operations as well as to sell into the local China market. In the third quarter of 2008, the Company relocated the business supporting the U.S. from TWT into an existing operation in China. The Company then entered into an agreement to sell TWT. Under this agreement, the Company determined that the risks and rewards of ownership of TWT were effectively transferred to the buyer as of October 18, 2008. The Company further determined that it was no longer the primary beneficiary of the operating results of TWT and therefore deconsolidated TWT as of October 18, 2008. The Company recognized a $1.1 million gain from the sale in 2009 upon the final approval of the transfer by Chinese government authority. See Note 3 for additional information concerning dispositions.

Certain acquisition agreements from prior years contain earn-out provisions. In 2009, 2008 and 2007, the Company accrued approximately $0.5 million, $0.4 million and $3.8 million, respectively, for earn-out provisions which were charged to goodwill and were paid in the year following each earn-out. The calculations are typically based on a multiple of future gross margins or operating earnings as defined in the agreements.

(6) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of the following:

	Foreign Currency Translation	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income/(Loss)
		(in millions)	
Balance December 31, 2007	$ 77.2	$ (8.5)	$ 68.7
Change in period	(51.8)	(16.7)	(68.5)
Balance December 31, 2008	25.4	(25.2)	0.2
Change in period	**26.2**	**3.7**	**29.9**
Balance December 31, 2009	**$ 51.6**	**$ (21.5)**	**$ 30.1**

(7) Inventories, net

Inventories consist of the following:

	December 31,	
	2009	2008
	(in millions)	
Raw materials	**$ 88.0**	$ 106.7
Work in process	**36.5**	43.2
Finished goods	**142.2**	183.8
	$ 266.7	$ 333.7

Finished goods of $13.8 million and $19.1 million as of December 31, 2009 and 2008, respectively, were consigned.

(8) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31,	
	2009	2008
	(in millions)	
Land	**$ 13.7**	$ 14.8
Buildings and improvements	**128.7**	145.0
Machinery and equipment	**300.4**	289.2
Construction in progress	**12.1**	7.6
	454.9	456.6
Accumulated depreciation	**(248.4)**	(225.6)
	$ 206.5	$ 231.0

(9) Income Taxes

The significant components of the Company's deferred income tax liabilities and assets are as follows:

	December 31,	
	2009	2008
	(in millions)	
Deferred income tax liabilities:		
Excess tax over book depreciation	**$ 16.4**	$ 15.8
Intangibles	**30.5**	31.4
Other	**9.5**	8.5
Total deferred tax liabilities	**56.4**	55.7
Deferred income tax assets:		
Accrued expenses	**21.6**	23.9
Net operating loss carry-forward	**10.0**	4.3
Inventory reserves	**6.3**	10.3
Other	**23.7**	28.6
Total deferred tax assets	**61.6**	67.1
Less: valuation allowance	**(9.8)**	(4.7)
Net deferred tax assets	**51.8**	62.4
Net deferred tax assets (liabilities)	**$ (4.6)**	$ 6.7

The provision for income taxes from continuing operations is based on the following pre-tax income:

	Years Ended December 31,		
	2009	2008	2007
		(in millions)	
Domestic	**$ 21.5**	$ 0.9	$ 47.6
Foreign	**50.8**	67.1	61.5
	$ 72.3	$ 68.0	$ 109.1

(9) Income Taxes (Continued)

The provision for income taxes from continuing operations consists of the following:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Current tax expense:			
Federal	**$ 1.9**	$ 7.5	$ 19.2
Foreign	**23.5**	24.2	20.0
State	**0.6**	1.9	4.8
	26.0	33.6	44.0
Deferred tax expense (benefit):			
Federal	**6.8**	(0.2)	(5.6)
Foreign	**(3.3)**	(7.4)	(0.9)
State	**1.8**	(1.3)	(1.3)
	5.3	(8.9)	(7.8)
	$ 31.3	$ 24.7	$ 36.2

Actual income taxes reported from continuing operations are different than would have been computed by applying the federal statutory tax rate to income from continuing operations before income taxes. The reasons for this difference are as follows:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Computed expected federal income expense	**$ 25.3**	$ 23.8	$ 38.2
State income taxes, net of federal tax benefit	**1.5**	0.4	2.3
Foreign tax rate differential	**2.5**	(6.9)	(2.4)
Valuation allowance	**—**	4.2	—
Goodwill impairment	**—**	3.2	—
Other, net	**2.0**	—	(1.9)
	$ 31.3	$ 24.7	$ 36.2

At December 31, 2009, the Company has foreign net operating loss carry forwards of $38.9 million for income tax purposes; $5.6 million of the losses can be carried forward indefinitely, $6.9 million of the losses expire in 2014, $5.0 million expire in 2016, $5.1 million expire in 2017, and $16.3 million expire in 2018. The net operating losses consist of $5.5 million related to German operations, $0.1 million to Austrian operations, $26.4 million to Dutch operations, and $6.9 related to Chinese operations.

(9) Income Taxes (Continued)

At December 31, 2009, the Company had a valuation allowance of $9.8 million. In the U.S., $4.6 million relates to a capital loss as management believes it is not more likely than not that the Company would use such loss within the applicable carryforward period. In Europe, a valuation allowance of $3.0 million pertains to a net operating loss in our Dutch operations. In China, a valuation allowance of $2.2 million relates to TWVC's deferred tax assets that the Company believes will not be utilized. The entire $4.7 million beginning of year valuation allowance pertained to the U.S. capital loss. The Company does not have a valuation allowance on other deferred tax assets, as management believes that it is more likely than not that the Company will recover the net deferred tax assets.

Enacted changes in income tax laws did not have a material effect on the Company in 2009, 2008 or 2007.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $320.3 million at December 31, 2009, $311.7 million at December 31, 2008, and $249.9 million at December 31, 2007. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been recorded thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company will be subject to withholding taxes payable to the various foreign countries. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits may be available to reduce some portion of any U.S. income tax liability. Withholding taxes of approximately $7.2 million would be payable upon remittance of all previously unremitted earnings at December 31, 2009.

(10) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	December 31,	
	2009	2008
	(in millions)	
Commissions and sales incentives payable	**$ 37.2**	$ 41.2
Accrued product liability and workers' compensation	**32.5**	30.5
Other	**34.2**	25.6
Income taxes payable	**2.0**	4.1
	$ 105.9	$ 101.4

(11) Financing Arrangements

Long-term debt consists of the following:

	December 31,	
	2009	2008
	(in millions)	
5.85% notes due April 2016	**$ 225.0**	$ 225.0
4.87% notes due May 2010	**50.0**	50.0
5.47% notes due May 2013	**75.0**	75.0
$350.0 million Revolving Credit Facility maturing in April 2011. Eurocurrency rate loans interest accruing at LIBOR or Euro LIBOR plus an applicable percentage (Euro LIBOR at 0.4% at December 31, 2008). At December 31, 2009, there were no outstanding U.S. or euro based borrowings. At December 31, 2008, $55.0 million was for euro based borrowings and there were no outstanding U.S. borrowings.	**—**	55.0
Other—consists primarily of European borrowings (at interest rates ranging from 4.1% to 6.0%)	**4.9**	9.3
	354.9	414.3
Less Current Maturities	**50.9**	4.5
	$ 304.0	$ 409.8

Principal payments during each of the next five years and thereafter are due as follows (in millions): 2010—$50.9; 2011—$0.7; 2012—$0.7; 2013—$75.7; 2014—$0.8 and thereafter—$226.1.

The Company maintains letters of credit that guarantee its performance or payment to third parties in accordance with specified terms and conditions. Amounts outstanding were approximately $37.0 million as of December 31, 2009 and $39.3 million as of December 31, 2008. The Company's letters of credit are primarily associated with insurance coverage and to a lesser extent foreign purchases. The Company's letters of credit generally expire within one year of issuance and are drawn down against the revolving credit facility. These instruments may exist or expire without being drawn down. Therefore, they do not necessarily represent future cash flow obligations.

On April 27, 2006, the Company completed a private placement of $225.0 million of 5.85% senior unsecured notes due April 2016 (the 2006 Note Purchase Agreement). The 2006 Note Purchase Agreement includes operational and financial covenants, with which the Company is required to comply, including, among others, maintenance of certain financial ratios and restrictions on additional indebtedness, liens and dispositions. Events of default under the 2006 Note Purchase Agreement include failure to comply with its financial and operational covenants, as well as bankruptcy and other insolvency events. The Company may, at its option, upon notice to the noteholders, prepay at any time all or part of the Notes in an amount not less than $1.0 million by paying the principal amount plus a make-whole amount, which is dependent upon the yield of respective U.S. Treasury Securities. As of December 31, 2009, the Company was in compliance with all covenants related to the 2006 Note Purchase Agreement. The payment of interest on the senior unsecured notes is due semi-annually on April 30th and October 30th of each year. Additionally, the Company amended its 2003 Note Purchase Agreement to reflect the existence of the subsidiary guarantors and to substantially conform certain provisions of the 2003 Note Purchase Agreement to the 2006 Note Purchase Agreement.

(11) Financing Arrangements (Continued)

On April 27, 2006, the Company amended and restated its unsecured revolving credit facility with a syndicate of banks (as amended, the revolving credit facility). The revolving credit facility provides for multi-currency unsecured borrowings and stand-by letters of credit of up to $350.0 million and expires in April 2011. Borrowings outstanding under the revolving credit facility bear interest at a fluctuating rate per annum equal to an applicable percentage equal to (i) in the case of Eurocurrency rate loans, the British Bankers Association LIBOR rate plus an applicable percentage of 0.625%, which is determined by reference to the Company's consolidated leverage ratio and debt rating, or (ii) in the case of base rate loans and swing line loans, the higher of (a) the federal funds rate plus 0.5% and (b) the rate of interest in effect for such day as announced by Bank of America, N.A. as its "prime rate." For 2009, the average interest rate under the revolving credit facility for euro-based borrowings was approximately 2.2%. The revolving credit facility includes operational and financial covenants customary for facilities of this type, including, among others, restrictions on additional indebtedness, liens and investments and maintenance of certain leverage ratios. As of December 31, 2009, the Company was in compliance with all covenants related to the revolving credit facility; the Company had $314.4 million of unused credit under the revolving credit facility and $35.6 million for stand-by letters of credit outstanding on its revolving credit facility. Due primarily to the current leverage ratio, the Company could borrow approximately $108.5 million under the existing facility, excluding the stand-by-letters of credit, before it would violate the above covenants.

On May 15, 2003, the Company completed a private placement of $125.0 million of senior unsecured notes consisting of $50.0 million principal amount of 4.87% senior notes due 2010 and $75.0 million principal amount of 5.47% senior notes due 2013. The payment of interest on the senior unsecured notes is due semi-annually on May 15th and November 15th of each year. The senior unsecured notes were issued by Watts Water Technologies, Inc. and are *pari passu* with the revolving credit facility. The senior unsecured notes allow the Company to have (i) debt senior to the notes in an amount up to $150.0 million plus 5% of stockholders' equity and (ii) debt *pari passu* or junior to the senior unsecured notes to the extent the Company maintains compliance with a 2.0 to 1.0 fixed charge coverage ratio. The notes include a prepayment provision which might require a make-whole payment to the note holders. Such payment is dependent upon the level of the respective treasuries. The notes include other customary terms and conditions, including events of default.

(12) Common Stock

The Class A Common Stock and Class B Common Stock have equal dividend and liquidation rights. Each share of the Company's Class A Common Stock is entitled to one vote on all matters submitted to stockholders and each share of Class B Common Stock is entitled to ten votes on all such matters. Shares of Class B Common Stock are convertible into shares of Class A Common Stock, on a one-to-one basis, at the option of the holder. As of December 31, 2009, the Company has reserved a total of 4,078,905 of Class A Common Stock for issuance under its stock-based compensation plans and 7,193,880 shares for conversion of Class B Common Stock to Class A Common Stock.

In November 2007, the Company announced that its Board of Directors had authorized a repurchase of up to 3,000,000 shares of its Class A Common Stock. As of December 31, 2009, the Company had repurchased 2.45 million shares of stock for a total cost of $68.1 million.

(13) Stock-Based Compensation

The Company maintains three stock incentive plans under which key employees and outside directors have been granted incentive stock options (ISOs) and nonqualified stock options (NSOs) to

(13) Stock-Based Compensation (Continued)

purchase the Company's Class A Common Stock. Only one plan, the 2004 Stock Incentive Plan, is currently available for the grant of new equity awards. Stock options granted under prior plans became exercisable over a five-year period at the rate of 20% per year and expire ten years after the date of grant. Under the 2004 Stock Incentive Plan, options become exercisable over a four-year period at the rate of 25% per year and expire ten years after the grant date. ISOs and NSOs granted under the plans may have exercise prices of not less than 100% and 50% of the fair market value of the Class A Common Stock on the date of grant, respectively. The Company's current practice is to grant all options at fair market value on the grant date. At December 31, 2009, 2,428,706 shares of Class A Common Stock were authorized for future grants of new equity awards under the Company's stock incentive plans.

The Company also grants shares of restricted stock to key employees and non-employee members of the Company's Board of Directors under the 2004 Stock Incentive Plan, which vest either immediately or over a three-year period at the rate of one-third per year. The restricted stock awards are amortized to expense on a straight-line basis over the vesting period.

The Company also has a Management Stock Purchase Plan that allows for the granting of restricted stock units (RSUs) to key employees. On an annual basis, key employees may elect to receive a portion of their annual incentive compensation in RSUs instead of cash. Each RSU provides the key employee with the right to purchase a share of Class A Common Stock at 67% of the fair market value on the date of grant. RSUs vest annually over a three-year period from the grant date. An aggregate of 2,000,000 shares of Class A Common Stock may be issued under the Management Stock Purchase Plan.

2004 Stock Incentive Plan

At December 31, 2009, total unrecognized compensation cost related to the unvested stock options was approximately $3.9 million with a total weighted average remaining term of 2.8 years. For 2009, 2008 and 2007, the Company recognized compensation cost of $1.7 million, $2.3 million and $2.7 million, respectively, in selling, general and administrative expenses.

The following is a summary of stock option activity and related information:

	Years Ended December 31,							
	2009			2008		2007		
	Options	Weighted Average Exercise Price	Intrinsic Value	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	
	(Options in thousands)							
Outstanding at beginning of year	**1,216**	**$ 26.07**		1,168	$ 25.32	1,140	$ 23.99	
Granted	**214**	**26.34**		202	29.35	189	33.36	
Cancelled/Forfeitures	**(101)**	**27.63**		(68)	31.68	(94)	31.08	
Exercised	**(29)**	**14.23**		(86)	19.08	(67)	17.17	
Outstanding at end of year	**1,300**	**$ 26.25**	**$ 4.67**	1,216	$ 26.07	1,168	$ 25.32	
Exercisable at end of year	**882**	**$ 24.98**	**$ 5.94**	800	$ 23.22	705	$ 21.42	

As of December 31, 2009, the aggregate intrinsic values of exercisable options were approximately $5.2 million, representing the total pre-tax intrinsic value, based on the Company's closing Class A Common Stock price of $30.92 as of December 31, 2009, which would have been received by the

(13) Stock-Based Compensation (Continued)

option holders had all option holders exercised their options as of that date. The total intrinsic value of options exercised for 2009, 2008 and 2007 was approximately $0.3 million, $0.8 million and $1.4 million, respectively.

Upon exercise of options, the Company issues shares of Class A Common Stock.

The following table summarizes information about options outstanding at December 31, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
	(Options in thousands)				
$10.56–$14.08	29	1.93	$ 10.97	29	$ 10.97
$14.09–$17.60	308	2.93	16.54	308	16.54
$17.61–$28.16	353	7.39	25.76	155	25.02
$28.17–$31.68	173	8.50	29.35	46	29.35
$31.69–$35.21	437	6.34	33.28	344	33.12
	1,300	6.00	$ 26.25	882	$ 24.98

The fair value of each option granted under the 2004 Stock Incentive Plan is estimated on the date of grant, using the Black-Scholes-Merton Model, based on the following weighted average assumptions:

	Years Ended December 31,		
	2009	2008	2007
Expected life (years)	**6.0**	6.0	5.8
Expected stock price volatility	**41.2%**	35.6%	37.2%
Expected dividend yield	**1.7%**	1.5%	1.2%
Risk-free interest rate	**2.8%**	3.5%	4.6%

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant for the respective expected life of the option. The expected life (estimated period of time outstanding) of options and volatility were calculated using historical data. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. The Company applied an estimated forfeiture rate of 6.75% for 2009 for its stock options. These rates were calculated based upon historical activity and are an estimate of granted shares not expected to vest. If actual forfeitures differ from the expected rates, the Company may be required to make additional adjustments to compensation expense in future periods.

The above assumptions were used to determine the weighted average grant-date fair value of stock options of $9.70, $10.10 and $12.75 for the years ending December 31, 2009, 2008 and 2007, respectively.

(13) Stock-Based Compensation (Continued)

The following is a summary of unvested restricted stock activity and related information:

	Years Ended December 31,					
	2009		2008		2007	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
	(Shares in thousands)					
Unvested at beginning of year	**115**	**$ 31.28**	89	$ 34.05	73	$ 33.62
Granted	**86**	**26.21**	80	29.35	74	33.21
Cancelled/Forfeitures	**(16)**	**29.15**	(7)	33.71	(15)	34.10
Vested	**(68)**	**30.62**	(47)	32.92	(43)	31.85
Unvested at end of year	**117**	**$ 28.20**	115	$ 31.28	89	$ 34.05

The total fair value of shares vested during 2009, 2008 and 2007 was $2.1 million, $1.4 million and $1.4 million, respectively. At December 31, 2009, total unrecognized compensation cost related to unvested restricted stock was approximately $2.6 million with a total weighted average remaining term of 2.0 years. For 2009, 2008 and 2007, the Company recognized compensation costs of $2.0 million, $1.8 million and $1.6 million, respectively, in selling, general and administrative expenses. The Company applied an estimated forfeiture rate of 5.2% for restricted stock issued to key employees. The aggregate intrinsic value of restricted stock granted and outstanding approximated $3.6 million representing the total pre-tax intrinsic value based on the Company's closing Class A Common Stock price of $30.92 as of December 31, 2009.

Management Stock Purchase Plan

Total unrecognized compensation cost related to unvested RSUs was approximately $1.2 million at December 31, 2009 with a total weighted average remaining term of 1.8 years. For 2009, 2008 and 2007 the Company recognized compensation cost of $1.2 million, $1.2 million and $1.7 million, respectively, in selling, general and administrative expenses. Dividends declared for RSUs, that are paid to individuals, that remain unpaid at December 31, 2009 total approximately $0.2 million.

(13) Stock-Based Compensation (Continued)

A summary of the Company's RSU activity and related information for 2009 is shown in the following table:

	Years Ended December 31,								
	2009			2008		2007			
	RSUs	Weighted Average Purchase Price	Intrinsic Value	RSUs	Weighted Average Purchase Price	RSUs	Weighted Average Purchase Price		
	(RSU's in thousands)								
Outstanding at beginning of period	**297**	**$ 21.86**		366	$ 18.98	347	$ 19.00		
Granted	**150**	**13.25**		60	19.09	160	25.73		
Cancelled/Forfeitures	**(7)**	**18.08**		(19)	23.23	(31)	25.03		
Settled	**(90)**	**22.31**		(110)	22.06	(110)	15.62		
Outstanding at end of period	**350**	**$ 18.13**	**$ 12.79**	297	$ 21.86	366	$ 22.45		
Vested at end of period	**131**	**$ 21.12**	**$ 9.80**	133	$ 20.27	141	$ 18.98		

As of December 31, 2009, the aggregate intrinsic values of outstanding and vested RSUs were approximately $4.5 million and $1.3 million, respectively, representing the total pre-tax intrinsic value, based on the Company's closing Class A Common Stock price of $30.92 as of December 31, 2009 which would have been received by the RSUs holders had all RSUs settled as of that date. The total intrinsic value of RSUs settled for 2009, 2008 and 2007 was approximately $0.1 million, $0.7 million and $2.5 million, respectively. Upon settlement of RSUs, the Company issues shares of Class A Common Stock.

The following table summarizes information about RSUs outstanding at December 31, 2009:

	RSUs Outstanding			RSUs Vested	
Range of Purchase Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Purchase Price	Number Vested	Weighted Average Purchase Price
	(RSUs in thousands)				
$7.04–$10.56	29	2.1	$ 9.44	29	$ 9.44
$10.57–$17.60	147	2.2	13.25	—	—
$17.61–$21.11	51	1.2	19.09	17	19.09
$21.12–$24.64	5	0.7	22.65	5	22.65
$24.65–$25.73	118	0.2	25.73	80	25.73
	350	1.4	$ 18.13	131	$ 21.12

(13) Stock-Based Compensation (Continued)

The fair value of each share issued under the Management Stock Purchase Plan is estimated on the date of grant, using the Black-Scholes-Merton Model, based on the following weighted average assumptions:

	Years Ended December 31,		
	2009	**2008**	**2007**
Expected life (years)	**3.0**	3.0	3.0
Expected stock price volatility	**45.0%**	37.2%	35.3%
Expected dividend yield	**2.2%**	1.5%	1.0%
Risk-free interest rate	**1.4%**	2.2%	4.8%

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant for the respective expected life of the RSU's. The expected life (estimated period of time outstanding) of RSU's and volatility were calculated using historical data. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. The Company applied an estimated forfeiture rate of 5.2% for its RSUs. These rates were calculated based upon historical activity and are an estimate of granted shares not expected to vest. If actual forfeitures differ from the expected rates, the Company may be required to make additional adjustments to compensation expense in future periods.

The above assumptions were used to determine the weighted average grant-date fair value of RSUs granted of $8.14, $11.44 and $16.79 during 2009, 2008 and 2007, respectively.

The Company distributed dividends of $0.44 per share for 2009, $0.44 per share for 2008 and $0.40 per share for 2007 on the Company's Class A Common Stock and Class B Common Stock.

(14) Employee Benefit Plans

The Company sponsors funded and unfunded non-contributing defined benefit pension plans that together cover substantially all of its domestic employees. Benefits are based primarily on years of service and employees' compensation. The funding policy of the Company for these plans is to contribute an annual amount that does not exceed the maximum amount that can be deducted for federal income tax purposes.

(14) Employee Benefit Plans (Continued)

The funded status of the defined benefit plans and amounts recognized in the consolidated balance sheet are as follows:

	December 31,	
	2009	2008
	(in millions)	
Change in projected benefit obligation		
Balance at beginning of the year	**$ 87.1**	$ 73.4
Service cost	**4.1**	3.4
Administration cost	**(0.7)**	(0.8)
Plan change	**—**	0.8
Interest cost	**5.2**	4.7
Actuarial loss	**3.2**	8.1
Benefits paid	**(2.8)**	(2.5)
Balance at end of year	**$ 96.1**	$ 87.1
Change in fair value of plan assets		
Balance at beginning of the year	**$ 44.9**	$ 58.8
Actual (loss) gain on assets	**9.0**	(13.8)
Employer contributions	**16.2**	3.2
Administration cost	**(0.7)**	(0.8)
Benefits paid	**(2.8)**	(2.5)
Fair value of plan assets at end of the year	**$ 66.6**	$ 44.9
Funded status at end of year	**$ (29.5)**	$ (42.2)

Amounts recognized in the consolidated balance sheet are as follows:

	December 31,	
	2009	2008
	(in millions)	
Current liabilities	**$ (0.1)**	$ (0.1)
Noncurrent liabilities	**(29.4)**	(42.1)
Net amount recognized	**$ (29.5)**	$ (42.2)

Amounts recognized in accumulated other comprehensive income consist of:

	December 31,	
	2009	2008
	(in millions)	
Net actuarial loss	**$ 32.8**	$ 37.6
Prior service cost	**2.0**	2.3
Net amount recognized	**$ 34.8**	$ 39.9

(14) Employee Benefit Plans (Continued)

Information for pension plans with an accumulated benefit obligation in excess of plan assets are as follows:

	December 31,	
	2009	2008
	(in millions)	
Projected benefit obligation	**$ 96.1**	$ 87.1
Accumulated benefit obligation	**$ 88.2**	$ 78.0
Fair value of plan assets	**$ 66.6**	$ 44.9

The components of net periodic benefit cost are as follows:

	Years Ended December 31,		
	2009	2008	2007
	(in millions)		
Service cost—benefits earned	**$ 4.1**	$ 3.4	$ 3.8
Interest costs on benefits obligation	**5.2**	4.7	4.3
Expected return on assets	**(4.0)**	(4.9)	(4.4)
Prior service cost amortization	**0.3**	0.2	0.2
Net actuarial loss amortization	**3.0**	0.4	0.9
Curtailment charge	**—**	—	0.2
Net periodic benefit cost	**$ 8.6**	$ 3.8	$ 5.0

The estimated net actuarial loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year are $2.3 million and $0.3 million, respectively.

Assumptions:

Weighted-average assumptions used to determine benefit obligations:

	2009	2008
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**4.00%**	4.00%

Weighted-average assumptions used to determine net periodic benefit costs:

	2009	2008	2007
Discount rate	**6.00%**	6.00%	5.87%
Long-term rate of return on assets	**8.50%**	8.50%	8.50%
Rate of compensation increase	**4.00%**	4.00%	4.00%

Discount rates are selected based upon rates of return at the measurement date utilizing a bond matching approach to match the expected benefit cash flows. In selecting the expected long-term rate of return on assets, the Company considers the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of this plan. This includes considering the trust's asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year.

(14) Employee Benefit Plans (Continued)

Plan assets:

The weighted average asset allocations by asset category is as follows:

Asset Category	2009	2008
Equity securities	**60.6%**	50.3%
Debt securities	**33.4**	45.7
Other	**6.0**	4.0
Total	**100.0%**	100.0%

The Company's written Retirement Plan Investment Policy sets forth the investment policy, objectives and constraints of the Watts Water Technologies, Inc. Pension Plan. This Retirement Plan Investment Policy, set forth by the Pension Plan Committee, defines general investment principles and directs investment management policy, addressing preservation of capital, risk aversion and adherence to investment discipline. Investment managers are to make a reasonable effort to control risk and are evaluated quarterly against commonly accepted benchmarks to ensure that the risk assumed is commensurate with the given investment style and objectives.

The portfolio is designed to achieve a balanced return of current income and modest growth of capital, while achieving returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of Plan assets. All Plan assets are required to be invested in liquid securities. Derivative investments are not allowed.

Prohibited investments include, but are not limited to the following: commodities and futures contracts, private placements, options, limited partnerships, venture-capital investments, real estate properties, interest-only (IO), principal-only (PO), and residual tranche CMOs, and Watts Water Technologies, Inc. stock.

Prohibited transactions include, but are not limited to the following: short selling and margin transactions.

Allowable assets include: cash equivalents, fixed income securities, equity securities, mutual funds, and GICs.

Specific guidelines regarding allocation of assets are as follows: equities shall comprise between 25% and 75% of the total portfolio, while fixed income shall comprise between 30% and 65%. Investment performance is monitored on a regular basis and investments are re-allocated to stay within specific guidelines. An equity/fixed income allocation of 55%/45% is preferred. The securities of any one company or government agency should not exceed 10% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent 50% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Plan's aggregate bond position.

(14) Employee Benefit Plans (Continued)

The following table presents the investments in the pension plan measured at fair value at December 31, 2009:

	Level 1	Level 2	Level 3	Total
		(in millions)		
Equity securities				
U.S. and non-U.S. equity securities(a)	$ 22.2	$ —	$ —	$ 22.2
Other equity securities(b)	18.3	—	—	18.3
Debt securities				
U.S. government and federal agency	3.0	6.4	—	9.4
U.S. and non-U.S. corporate	—	2.0	—	2.0
Other debt securities(c)	10.8			10.8
Other investments(d)	—	3.9	—	3.9
Total investments	$ 54.3	$ 12.3	$ —	$ 66.6

(a) Primarily represented by investments in common stock from diverse industries

(b) Primarily represented by investments in index funds

(c) Primarily represented by investments in mutual funds

(d) Primarily represented by investments in money market funds

Cash flows:

The information related to the Company's pension funds cash flow is as follows:

	December 31,	
	2009	2008
	(in millions)	
Employer Contributions	**$ 16.2**	$ 3.2
Benefit Payments	**$ 2.8**	$ 2.5

The Company expects to contribute approximately $10.0 million in 2010.

Expected benefit payments to be paid by the pension plans are as follows:

	(in millions)
During fiscal year ending December 31, 2010	$ 3.2
During fiscal year ending December 31, 2011	$ 3.4
During fiscal year ending December 31, 2012	$ 3.7
During fiscal year ending December 31, 2013	$ 4.1
During fiscal year ending December 31, 2014	$ 4.6
During fiscal year ending December 31, 2015 through December 31, 2019	$ 32.2

Additionally, substantially all of the Company's domestic employees are eligible to participate in certain 401(k) savings plans. Under these plans, the Company matches a specified percentage of employee contributions, subject to certain limitations. The Company's match contributions (included in selling, general and administrative expense) for the year ended December 31, 2009 were $0.5 million,

(14) Employee Benefit Plans (Continued)

and for the years ended December 31, 2008 and 2007 were $0.6 million in each year, respectively. Charges for European pension plans approximated $2.8 million, $3.3 million and $3.0 million for the years ended December 31, 2009, 2008 and 2007, respectively. These costs relate to plans administered by certain European subsidiaries, with benefits calculated according to government requirements and paid out to employees upon retirement or change of employment.

The Company entered into a Supplemental Compensation Agreement (the Agreement) with Timothy P. Horne on September 1, 1996. Per the Agreement, upon ceasing to be an employee of the Company, Mr. Horne must make himself available, as requested by the Board, to work a minimum of 300 but not more than 500 hours per year as a consultant in return for certain annual compensation as long as he is physically able to do so. If Mr. Horne complies with the consulting provisions of the agreement above, he shall receive supplemental compensation on an annual basis of $400,000 per year, subject to cost of living increases each year, in exchange for the services performed, as long as he is physically able to do so. In the event of physical disability, subsequent to commencing consulting services for the Company, Mr. Horne will continue to receive this payment annually. The payment for consulting services provided by Mr. Horne will be expensed as incurred by the Company. Mr. Horne retired effective December 31, 2002, and therefore the Supplemental Compensation period began on January 1, 2003. In accordance with GAAP, the Company accrues for the future post-retirement disability benefits over the period from January 1, 2003, to the time in which Mr. Horne becomes physically unable to perform his consulting services (the period in which the disability benefits are earned).

(15) Contingencies and Environmental Remediation

James Jones Litigation

As has been previously disclosed, the Company was party to a lawsuit filed by Nora Armenta in California Superior Court against us, James Jones Company, Mueller Co. and Tyco International (the "Armenta case") and a separate lawsuit filed in California Superior Court on behalf of the City of Banning, California and 42 other cities and water districts in California against the Company, James Jones Company and Mueller Co. (the "City of Banning case"). At a mediation session held with the California Superior Court on June 9-10, 2009, the parties to the Armenta case and the City of Banning case agreed in principle to settle both cases. The agreement in principle was effective and binding only upon approval by the plaintiffs in the Armenta and City of Banning cases, and final approval of the settlement by the California Superior Court after a fairness hearing. An agreement in principle also was reached to settle the related insurance coverage cases *Watts Industries, Inc. vs. Zurich American Insurance Company, et al.*, and *Zurich American Insurance Company vs. Watts Industries, Inc., et al.*, pending in California Superior Court; and *Zurich American Insurance Company vs. Watts Industries, Inc. and James Jones Company*, pending in the United States District Court for the Northern District of Illinois, Eastern Division. The settlement of the insurance coverage cases was effective and binding upon approval of the settlement of the underlying Armenta case and City of Banning case as described above.

The settlement agreement was approved by the plaintiffs in both the Armenta and City of Banning cases and, at the fairness hearing held on November 5, 2009, the California Superior Court approved the settlement of the Armenta case and City of Banning case. There were no objectors to the settlement. Based on the contemporaneous final settlement of the underlying insurance coverage cases, the Company's contribution to the settlement was $15.3 million. As a result of the settlements, all lawsuits and all claims were dismissed. In addition, separate from the settlement, the Company paid its

(15) Contingencies and Environmental Remediation (Continued)

outside counsel an additional $5.0 million for services rendered in connection with the above described litigation.

As a result of the settlement of the above described litigation, the Company recorded a non-cash, pre-tax gain in discontinued operations of approximately $9.5 million in the fourth quarter of 2009 to reduce previously recorded estimates of the loss and related fees to the amounts noted above.

Foreign Corrupt Practices Act Investigation

In July 2009, the Company received information that employees of CWV, at that time an indirect wholly-owned subsidiary of the Company in China, made payments to employees of state-owned agencies. Such payments may violate the Foreign Corrupt Practices Act. The Company is conducting an investigation utilizing outside counsel and voluntarily disclosed this matter to the United States Department of Justice and the Securities and Exchange Commission. The Company cannot predict the outcome of this matter at this time or whether it will have a materially adverse impact on its financial condition or results of operations. The Company sold CWV in January 2010.

Environmental Remediation

The Company has been named as a potentially responsible party with respect to a limited number of identified contaminated sites. The levels of contamination vary significantly from site to site as do the related levels of remediation efforts. Environmental liabilities are recorded based on the most probable cost, if known, or on the estimated minimum cost of remediation. The Company accrues estimated environmental liabilities based on assumptions, which are subject to a number of factors and uncertainties. Circumstances which can affect the reliability and precision of these estimates include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation and the time period over which remediation may occur. The Company recognizes changes in estimates as new remediation requirements are defined or as new information becomes available.

Based on the facts currently known to the Company, it does not believe that the ultimate outcome of these matters will have a material adverse effect on its liquidity, financial condition or results of operations. Some of its environmental matters are inherently uncertain and there exists a possibility that we may ultimately incur losses from these matters in excess of the amount accrued. However, the Company cannot currently estimate the amount of any such additional losses.

Asbestos Litigation

The Company is defending approximately 105 lawsuits in different jurisdictions, with the greatest number filed in Mississippi and California state courts, alleging injury or death as a result of exposure to asbestos. The complaints in these cases typically name a large number of defendants and do not identify any particular Watts products as a source of asbestos exposure. To date, the Company has obtained a dismissal in every case before it has reached trial because discovery has failed to yield evidence of substantial exposure to any Watts products. Based on the facts currently known to the Company, it does not believe that the ultimate outcome of these claims will have a material adverse effect on its liquidity, financial condition or results of operations.

(15) Contingencies and Environmental Remediation (Continued)

Other Litigation

Other lawsuits and proceedings or claims, arising from the ordinary course of operations, are also pending or threatened against us. Based on the facts currently known to the Company, it does not believe that the ultimate outcome of these other litigation matters will have a material adverse effect on its liquidity, financial condition or results of operations.

(16) Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, short-term investments, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments.

The fair value of the Company's 4.87% senior notes due 2010, 5.47% senior notes due 2013 and 5.85% senior notes due 2016 is based on quoted market prices of similar notes (level 2). The fair value of the Company's variable rate debt approximates its carrying value. The carrying amount and the estimated fair market value of the Company's long-term debt, including the current portion, are as follows:

	December 31,	
	2009	2008
	(in millions)	
Carrying amount	**$ 354.9**	$ 414.3
Estimated fair value	**$ 360.9**	$ 339.4

Derivative Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including auction rate securities, foreign currency derivatives, deferred compensation plan assets and related liability, and metal derivatives. The fair value of these certain financial assets and liabilities was determined using the following inputs at December 31, 2009:

	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets				
Trading securities(1)	$ 6.5	$ —	$ —	$ 6.5
Plan asset for deferred compensation(2)	3.5	3.5	—	—
Total assets	$ 10.0	$ 3.5	$ —	$ 6.5
Liabilities				
Foreign currency derivatives(3)	$ 0.9	$ —	$ 0.9	$ —
Plan liability for deferred compensation(4)	3.5	3.5	—	—
Total liabilities	$ 4.4	$ 3.5	$ 0.9	$ —

(1) Included in short-term investment securities on the Company's consolidated balance sheet.

(16) Financial Instruments (Continued)

(2) Included in other, net on the Company's consolidated balance sheet.

(3) Included in accrued expenses and other liabilities on the Company's consolidated balance sheet.

(4) Included in other noncurrent liabilities on the Company's consolidated balance sheet.

The table below provides a summary of the changes in fair value of all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period December 31, 2008 to December 31, 2009.

	Balance December 31, 2008	Purchases, sales, settlements, net	Total realized and unrealized gains (losses) included in: Earnings	Comprehensive income	Balance December 31, 2009
			(in millions)		
Trading securities	$ 8.3	$ (1.7)	$ (0.1)	$ —	$ 6.5

Trading securities comprise auction rate securities and rights issued by UBS. The Company holds a variety of interest bearing auction rate securities, or ARS, including $4.7 million in municipal bonds and $0.7 million in student loans at December 31, 2009. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or sell their interests at par. The uncertainties in the credit markets have affected all of the Company's holdings in ARS investments, and auctions for the Company's investments in these securities have failed on their respective auction dates. Consequently, the investments are not currently liquid and the Company will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process. Maturity dates for these ARS investments range from 2027 to 2036.

During the fourth quarter of 2008, the Company elected to participate in a settlement offer from UBS for all of the outstanding ARS investments. Under the terms of the settlement offer, the Company was issued rights by UBS entitling the holder to require UBS to purchase the underlying ARS at par value during the period from June 30, 2010, through July 2, 2012. The rights, valued at $1.1 million at December 31, 2009, also entitle UBS to purchase or find a buyer for the ARS at any time at par value.

While the Company continues to earn interest on its ARS investments, these investments are not currently trading and therefore do not currently have a readily determinable market value.

The Company used a discounted cash flow model to determine the estimated fair value of its investment in ARS and investments in UBS rights as of December 31, 2009. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, credit quality of the ARS issuer, timing and amount of cash flows, government guarantees related to student loans and the expected holding periods of the ARS. Based on this assessment of fair value, the Company recorded income of approximately $0.4 million to other income in the consolidated statement of operations for its investment in ARS in 2009. To determine the fair value of the rights issued by UBS in connection with the settlement, the Company used a discounted cash flow model for the period up to the first date which the Company can exercise the rights. Based on this assessment of fair value, the Company recorded a charge of approximately $0.5 million to other expense in 2009.

The Company used financial instruments to enhance its ability to manage risk, including foreign currency and commodity pricing exposures, which exist as part of its ongoing business operations. The

(16) Financial Instruments (Continued)

use of derivatives exposes the Company to counterparty credit risk for nonperformance and to market risk related to changes in currency exchange rates and commodity prices. The Company manages its exposure to counterparty credit risk through diversification of counterparties. The Company's counterparties in derivative transactions are substantial commercial banks with significant experience using such derivative instruments. The impact of market risk on the fair value and cash flows of the Company's derivative instruments is monitored and the Company restricts the use of derivative financial instruments to hedging activities. The Company does not enter into contracts for trading purposes nor does the Company enter into any contracts for speculative purposes. The use of derivative instruments is approved by senior management under written guidelines.

The Company has exposure to a number of foreign currency rates, including the Canadian Dollar, the Euro, the Chinese Yuan and the British Pound. To manage this risk, the Company generally uses a layering methodology whereby at the end of any quarter, the Company has generally entered into forward exchange contracts which hedge approximately 50% of the projected intercompany purchase transactions for the next twelve months. The Company primarily uses this strategy for the purchases between Canada and the U.S. The average volume of contracts can vary but generally approximates $10 to $12 million in open contracts at the end of any given quarter. At December 31, 2009, the Company had contracts for notional amounts aggregating approximately $9.0 million to buy various currencies. The Company accounts for the forward exchange contracts as an economic hedge. Realized and unrealized gains and losses on the contracts are recognized in other (income) expense in the consolidated statement of operations. These contracts do not subject the Company to significant market risk from exchange movement because they offset gains and losses on the related foreign currency denominated transactions.

In 2008, the Company entered into a series of copper swaps to fix the price per pound for copper from October 2008 through September 2009 for 1 million pounds to be delivered over 12 months for one customer. The Company determined that these copper swaps did not qualify for hedge accounting and accounted for these financial instruments as an economic hedge. Therefore, any changes in the fair value of the copper swaps were recorded immediately in the consolidated statement of operations. The Company does not enter into swap or forward contracts for speculative purposes. As of December 31, 2009, the Company had no outstanding swaps.

The following table discloses the fair values of derivative instruments on the Company's balance sheet as of December 31, 2009 and 2008:

Liability Derivatives	Balance Sheet Location	Fair Value	
		2009	2008
		(in millions)	
Foreign currency derivatives	Accrued expenses and other liabilities	**$ 0.9**	$ 1.6

The following table discloses the impact of derivative instruments on the Company's operations for 2009, 2008 and 2007:

Derivatives	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives		
		2009	2008	2007
		(in millions)		
Foreign currency derivatives	Other income (expense)	**$ (1.1)**	$ 0.1	$ 0.1
Copper swap	Other income (expense)	**0.3**	(1.6)	—
Total		**$ (0.8)**	$ (1.5)	$ 0.1

(16) Financial Instruments (Continued)

Leases

The Company leases certain manufacturing facilities, sales offices, warehouses, and equipment. Generally, the leases carry renewal provisions and require the Company to pay maintenance costs. Future minimum lease payments under capital leases and non-cancelable operating leases as of December 31, 2008 are as follows:

	Capital Leases	Operating Leases
	(in millions)	
2010	$ 1.7	$ 7.8
2011	1.7	5.5
2012	1.6	4.4
2013	1.6	3.6
2014	1.5	2.7
Thereafter	7.9	5.0
Total	$ 16.0	$ 29.0
Less amount representing interest (at rates ranging from 4.2% to 8.7%)	(2.4)	
Present value of net minimum capital lease payments	13.6	
Less current installments of obligations under capital leases	(1.3)	
Obligations under capital leases, excluding installments	$ 12.3	

Carrying amounts of assets under capital lease include:

	December 31,	
	2009	2008
	(in millions)	
Buildings	**$ 18.2**	$ 17.7
Machinery and equipment	**6.5**	7.8
	24.7	25.5
Less accumulated depreciation	**(3.9)**	(4.3)
	$ 20.8	$ 21.2

(17) Segment Information

The Company operates in three geographic segments: North America, Europe, and China. Each of these segments sell similar products, is managed separately and has separate financial results that are reviewed by the Company's chief operating decision-maker. All intercompany sales transactions have been eliminated. Sales by region are based upon location of the entity recording the sale. The accounting policies for each segment are the same as those described in the summary of significant accounting policies (see Note 2).

(17) Segment Information (Continued)

The following is a summary of the Company's significant accounts and balances by segment, reconciled to its consolidated totals:

	December 31,		
	2009	2008	2007
	(in millions)		
Net Sales			
North America	**$ 738.5**	$ 866.2	$ 871.0
Europe	**466.5**	532.0	439.8
China	**20.9**	33.2	45.5
Consolidated net sales	**$1,225.9**	$1,431.4	$1,356.3
Operating income (loss)			
North America	**$ 78.6**	$ 67.8	$ 93.3
Europe	**51.0**	65.7	53.2
China	**(6.6)**	(7.7)	6.6
Subtotal reportable segments	**123.0**	125.8	153.1
Corporate (*)	**(30.8)**	(27.2)	(29.1)
Consolidated operating income	**92.2**	98.6	124.0
Interest income	**0.9**	5.1	14.5
Interest expense	**(22.0)**	(26.2)	(27.1)
Other	**1.2**	(9.5)	(2.3)
Income from continuing operations before income taxes and noncontrolling interest	**$ 72.3**	$ 68.0	$ 109.1
Identifiable Assets			
North America	**$ 804.7**	$ 810.1	$1,055.6
Europe	**686.0**	698.3	504.3
China	**85.4**	99.0	109.2
Discontinued operations	**15.3**	52.7	60.2
Consolidated identifiable assets	**$1,591.4**	$1,660.1	$1,729.3
Long-Lived Assets			
North America	**$ 81.5**	$ 92.3	$ 100.2
Europe	**108.5**	106.0	84.0
China	**16.5**	32.7	31.7
Consolidated long-lived assets	**$ 206.5**	$ 231.0	$ 215.9
Capital Expenditures			
North America	**$ 9.3**	$ 8.3	$ 13.9
Europe	**14.4**	13.5	12.1
China	**0.5**	4.4	10.9
Consolidated capital expenditures	**$ 24.2**	$ 26.2	$ 36.9
Depreciation and Amortization			
North America	**$ 17.9**	$ 18.7	$ 17.8
Europe	**23.1**	20.4	14.3
China	**5.8**	4.6	5.2
Consolidated depreciation and amortization	**$ 46.8**	$ 43.7	$ 37.3

* Corporate expenses are primarily for compensation expense, Sarbanes-Oxley compliance, professional fees, including legal and audit expenses, shareholder services and benefit administration costs. These costs are not allocated to the geographic segments as they are viewed as corporate functions that support all activities.

(17) Segment Information (Continued)

The North America segment consists of U.S. net sales of $672.6 million, $798.1 million and $805.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. The North American segment also consists of U.S. long-lived assets of $74.8 million, $86.6 million and $92.7 million as of December 31, 2009, 2008 and 2007, respectively.

Intersegment sales for the year ended December 31, 2009 for North America, Europe and China were $3.6 million, $5.8 million and $110.4 million, respectively.Intersegment sales for the year ended December 31, 2008 for North America, Europe and China were $6.4 million, $6.4 million and $133.1 million, respectively. Intersegment sales for the year ended December 31, 2007 for North America, Europe and China were $6.6 million, $6.0 million and $137.1 million, respectively.

(18) Quarterly Financial Information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share information)			
Year ended December 31, 2009				
Net sales	**$ 290.7**	**$ 308.2**	**$ 303.8**	**$ 323.2**
Gross profit	**97.0**	**109.2**	**109.4**	**119.5**
Income from continuing operations	**4.1**	**15.2**	**11.6**	**10.1**
Net income (loss)	**3.4**	**(3.6)**	**3.4**	**14.2**
Per common share:				
Basic				
Income from continuing operations	**0.11**	**0.41**	**0.31**	**0.27**
Net income (loss)	**0.09**	**(0.10)**	**0.09**	**0.38**
Diluted				
Income from continuing operations	**0.11**	**0.41**	**0.31**	**0.27**
Net income (loss)	**0.09**	**(0.10)**	**0.09**	**0.38**
Dividends per common share	**0.11**	**0.11**	**0.11**	**0.11**
Year ended December 31, 2008				
Net sales	$ 337.0	$ 380.8	$ 372.0	$ 341.6
Gross profit	112.3	130.4	122.4	116.7
Income (loss) from continuing operations	13.0	19.6	16.3	(3.7)
Net income (loss)	13.7	19.8	16.7	(3.6)
Per common share:				
Basic				
Income (loss) from continuing operations	0.35	0.54	0.44	(0.10)
Net income (loss)	0.37	0.54	0.46	(0.10)
Diluted				
Income (loss) from continuing operations	0.35	0.53	0.44	(0.10)
Net income (loss)	0.37	0.54	0.45	(0.10)
Dividends per common share	0.11	0.11	0.11	0.11

(19) Subsequent Events

On February 9, 2010, the Company declared a quarterly dividend of eleven cents ($0.11) per share on each outstanding share of Class A Common Stock and Class B Common Stock.

Watts Water Technologies, Inc. and Subsidiaries

Schedule II—Valuation and Qualifying Accounts

(Amounts in millions)

For the Three Years Ended December 31:

	Balance At Beginning of Period	Additions Charged To Expense	Additions Charged To Other Accounts	Deductions	Balance At End of Period
Year Ended December 31, 2007					
Allowance for doubtful accounts	$ 10.1	4.4	0.7	(1.9)	$ 13.3
Allowance for excess and obsolete inventories	$ 20.5	9.1	2.2	(7.5)	$ 24.3
Year Ended December 31, 2008					
Allowance for doubtful accounts	$ 13.3	5.1	0.4	(9.2)	$ 9.6
Allowance for excess and obsolete inventories	$ 24.3	7.5	0.2	(6.0)	$ 26.0
Year Ended December 31, 2009					
Allowance for doubtful accounts	**$ 9.6**	**0.6**	**(0.6)**	**(2.1)**	**$ 7.5**
Allowance for excess and obsolete inventories	**$ 26.0**	**7.8**	**0.5**	**(8.6)**	**$ 25.7**

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, as amended (14)
3.2	Amended and Restated By-Laws (1)
9.1	The Amended and Restated George B. Horne Voting Trust Agreement—1997 dated as of September 14, 1999 (15)
10.1*	Supplemental Compensation Agreement effective as of September 1, 1996 between the Registrant and Timothy P. Horne (9), Amendment No. 1, dated July 25, 2000 (16), and Amendment No. 2 dated October 23, 2002 (3)
10.2*	Form of Indemnification Agreement between the Registrant and certain directors and officers of the Registrant (17)
10.3*	1996 Stock Option Plan, dated October 15, 1996 (10), and First Amendment dated February 28, 2003 (3)
10.4*	Watts Water Technologies, Inc. Pension Plan (amended and restated effective as of January 1, 2006) and First Amendment effective as of January 1, 2008 (20)
10.5	Registration Rights Agreement dated July 25, 1986 (5)
10.6*	Executive Incentive Bonus Plan, as amended and restated as of January 1, 2008 (8)
10.7	Amended and Restated Stock Restriction Agreement dated October 30, 1991 (2), and Amendment dated August 26, 1997 (12)
10.8*	Watts Industries, Inc. 1991 Non-Employee Directors' Nonqualified Stock Option Plan (6), and Amendment No. 1 (9)
10.9*	Watts Industries, Inc. 2003 Non-Employee Directors' Stock Option Plan (3)
10.10*	Resignation Agreement dated July 8, 2009 between the Registrant and Josh C. Fu (11)
10.11	Non-Competition Agreement dated July 8, 2009 between Watts (Shanghai) Management Co., Ltd. And Josh C. Fu (11)
10.12*	Watts Water Technologies, Inc. Management Stock Purchase Plan (Amended and Restated as of January 1, 2005), as amended (19)
10.13	Note Purchase Agreement dated as of May 15, 2003 between the Registrant and the Purchasers named in Schedule A thereto relating to the Registrant's $50,000,000 4.87% Senior Notes, Series A, due May 15, 2010 and $75,000,000 5.47% Senior Notes, Series B, due May 15, 2013 (7)
10.14	Form of 4.87% Senior Note due May 15, 2010 (7)
10.15	Form of 5.47% Senior Note due May 15, 2013 (7)
10.16*	Watts Water Technologies, Inc. 2004 Stock Incentive Plan, as amended (19)
10.17*	Non-Employee Director Compensation Arrangements
10.18*	Watts Water Technologies, Inc. Supplemental Employees Retirement Plan as Amended and Restated Effective May 4, 2004, First Amendment effective March 1, 2005 and Second Amendment effective January 1, 2008 (20)
10.19*	Form of Incentive Stock Option Agreement under the Watts Water Technologies, Inc. 2004 Stock Incentive Plan (18)
10.20*	Form of Non-Qualified Stock Option Agreement under the Watts Water Technologies, Inc. 2004 Stock Incentive Plan (19)
10.21*	Form of Restricted Stock Award Agreement for Employees under the Watts Water Technologies, Inc. 2004 Stock Incentive Plan (Incremental Vesting) (19)
10.22*	Form of Restricted Stock Award Agreement for Employees under the Watts Water Technologies, Inc. 2004 Stock Incentive Plan (Cliff Vesting) (18)
10.23*	Form of Restricted Stock Award Agreement for Non-Employee Directors under the Watts Water Technologies, Inc. 2004 Stock Incentive Plan (18)
10.24	Note Purchase Agreement, dated as of April 27, 2006, between the Registrant and the Purchasers named in Schedule A thereto relating to the Registrant's $225,000,000 5.85% Senior Notes due April 30, 2016 (4)
10.25	Form of 5.85% Senior Note due April 30, 2016 (4)
10.26	Subsidiary Guaranty, dated as of April 27, 2006, in connection with the Registrant's 5.85% Senior Notes due April 30, 2016 executed by the subsidiary guarantors party thereto, including the form of Joinder to Subsidiary Guaranty (4)

Exhibit No.	Description
10.27	First Amendment, dated as of April 27, 2006, to Note Purchase Agreement dated as of May 15, 2003 among the Registrant and the purchasers named therein (4)
10.28	Amended and Restated Credit Agreement, dated as of April 27, 2006, among the Registrant, certain subsidiaries of the Registrant as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and the other lenders referred to therein
10.29	Amended and Restated Guaranty, dated as of April 27, 2006, by the Registrant, the Subsidiaries of the Registrant set forth therein and Watts Industries Europe B.V., in favor of Bank of America, N.A. (4)
10.30*	Resignation Agreement dated December 1, 2009 between the Registrant and Gregory Michaud
10.31*	Severance Agreement dated February 16, 2009 between the Registrant and Douglas T. White (17)
11	Statement Regarding Computation of Earnings per Common Share (13)
21	Subsidiaries
23	Consent of KPMG LLP
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 8, 2010 (File No. 001-11499).

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 14, 1991 (File No. 001-11499).

(3) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11499).

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K dated April 27, 2006 (File No. 001-11499).

(5) Incorporated by reference to the Registrant's Form S-1 (No. 33-6515) as part of the Second Amendment to such Form S-1 dated August 21, 1986.

(6) Incorporated by reference to Amendment No. 1 to the Registrant's Annual Report on Form 10-K for year ended June 30, 1992 (File No. 001-11499).

(7) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 15, 2003 (File No. 001-11499).

(8) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 14, 2008 (File No. 001-11499).

(9) Incorporated by reference to the Registrant's Annual Report on Form 10-K for year ended June 30, 1996 (File No. 001-11499).

(10) Incorporated by reference to the Registrant's Form S-8 (No. 333-32685) dated August 1, 1997.

(11) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2009 (File No. 001-11499).

(12) Incorporated by reference to the Registrant's Annual Report on Form 10-K for year ended June 30, 1997 (File No. 001-11499).

(13) Incorporated by reference to notes to Consolidated Financial Statements, Note 2 of this Report.

(14) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005 (File No. 001-11499).

(15) Incorporated by reference to the Registrant's Annual Report on Form 10-K for year ended June 30, 1999 (File No. 001-11499).

(16) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for quarter ended September 30, 2000 (File No. 001-11499).

(17) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11499).

(18) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 2004 (File No. 001-11499).

(19) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2007 (File No. 001-11499).

(20) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-11499).

* Management contract or compensatory plan or arrangement.

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Exhibit 10.17

WATTS WATER TECHNOLOGIES, INC.

Non-Employee Director Compensation

The annual compensation payable by Watts Water Technologies, Inc. to non-employee Directors as determined by the Board of Directors of the Corporation on December 14, 2009 and effective as of January 1, 2010 is as follows:

- $60,000 annual retainer;
- Annual grant of restricted stock under the Corporation's 2004 Stock Incentive Plan with a fair market value on the date of grant equal to $60,000 and which shall vest in full on the first anniversary of the date of grant and shall be subject to such other terms and conditions as shall be determined by the Board;
- The Chairman of the Board shall receive an additional annual retainer of $20,000;
- The Chairman of the Audit Committee shall receive an additional annual retainer of $15,000;
- The Chairman of the Compensation Committee shall receive an additional annual retainer of $10,000;
- The Chairman of the and the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $5,000; and
- There shall be no additional compensation paid for participation in Board or committee meetings.

Exhibit 10.28

EXECUTION COPY

[Published CUSIP Number: 94274CAA3]

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of April 27, 2006

among

WATTS WATER TECHNOLOGIES, INC.

and

CERTAIN SUBSIDIARIES
as Borrowers,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender
and L/C Issuer,

JPMORGAN CHASE BANK, N.A.,
as Syndication Agent

KEYBANK NATIONAL ASSOCIATION
SUNTRUST BANK
and
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Documentation Agents

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC
and
J.P. MORGAN SECURITIES INC.,
as
Joint Lead Arrangers and Joint Book Managers

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AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is entered into as of April 27, 2006, among WATTS WATER TECHNOLOGIES, INC., a Delaware corporation (the "Company"), certain Subsidiaries of the Company party hereto pursuant to Section 2.14 (each a "Designated Borrower" and, together with the Company, the "Borrowers" and, each a "Borrower"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender") and BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

PRELIMINARY STATEMENTS

WHEREAS, the Company, the Initial Designated Borrower, certain Lenders and the Administrative Agent are parties to that certain Credit Agreement, dated as of September 23, 2004 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the " Existing Credit Agreement"); and

WHEREAS, the Company, the Initial Designated Borrower, the Lenders and the Administrative Agent have agreed to amend and restate the Existing Credit Agreement in its entirety.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated in its entirety as of the date hereof as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"2003 Senior Note Purchase Agreement" means that certain Note Purchase Agreement, dated as of May 15, 2003, as amended pursuant to Amendment No. 1 thereto dated as of the date hereof, pursuant to which the Company issued the 2003 Senior Notes, together with any further permitted amendments, supplements or modifications thereto.

"2003 Senior Notes" means, collectively, (i) the Company's $50,000,000 4.87% Senior Notes, Series A, due May 15, 2010 and (ii) the Company's $75,000,000 5.47% Senior Notes, Series B, due May 15, 2013.

"2006 Senior Note Purchase Agreement" means that certain Note Purchase Agreement, dated as of April 27, 2006, pursuant to which the Company issued the 2006 Senior Notes, together with any permitted amendments, supplements or modifications thereto.

"2006 Senior Notes" means the Company's 5.85% Senior Notes due April 30, 2016.

"Acquisition" means the acquisition, by purchase, merger or otherwise, of all or substantially all of the assets (or any part of the assets constituting all or substantially all of a

business or line of business) of any Person, whether such acquisition is direct or indirect, including through the acquisition of the business of, or more than 50% of the outstanding Voting Stock of, such Person, and whether such acquisition is effected in a single transaction or in a series of related transactions, and the acquisition, by purchase, merger or otherwise, of additional shares of the outstanding Voting Stock of any Subsidiary that is not then a wholly-owned Subsidiary of the Company; provided, that an Investment permitted under Section 7.02(g) shall not constitute an Acquisition.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent Fee Letter" means the letter agreement, dated March 22, 2006, among the Company, the Initial Designated Borrower and the Administrative Agent.

"Administrative Agent's Office" means, with respect to any currency, the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02 with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify to the Company and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitments" means the Commitments of all the Lenders.

"Agreement" has the meaning specified in the introductory paragraph hereto.

"Applicable Foreign Loan Party Documents" has the meaning specified in Section 5.20(a).

"Applicable Percentage" means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender's Commitment at such time. If the commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02 or if the Aggregate Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Applicable Rate" means, from time to time, the following percentages per annum, based upon the Debt Rating as set forth below:

Applicable Rate

Pricing Level	Debt Ratings S&P/Moody's	Consolidated Leverage Ratio	Facility Fee	Eurocurrency Rate and Letter of Credit Fee
1	BBB+/Baa1 or better	<1.75	0.10%	0.40%
2	BBB/Baa2	≥1.75 and <2.25	0.11%	0.49%
3	BBB-/Baa3	≥2.25 and <2.75	0.125%	0.625%
4	BB+/Ba1	≥2.75 and <3.25	0.175%	0.70%
5	BB/Ba2 or worse	≥3.25	0.225%	0.90%

"Debt Rating" means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the "Debt Ratings") of the Company's non-credit-enhanced, senior unsecured long-term debt; provided that (a) if the respective Debt Ratings issued by the foregoing rating agencies differ by one level, then the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level 1 being the highest and the Debt Rating for Pricing Level 5 being the lowest), (b) if there is a split in Debt Ratings of more than one level, the Pricing Level that is one level higher than the Pricing Level of the lower Debt Rating shall apply and (c) if the Company has only one Debt Rating, the Pricing Level for such Debt Rating shall apply. Initially, the Applicable Rate shall be determined based upon a Debt Rating of BBB/Baa2. After the Closing Date, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by the Company to the Administrative Agent of notice thereof pursuant to Section 6.03(e) and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

If at any time the Company shall not carry any Debt Rating, "Applicable Rate" shall mean, from time to time, the percentages per annum, based upon the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(a) or 7.04(c)(iv), as set forth above. Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(a) or 7.04(c)(iv); provided, however, that if a Compliance Certificate is not delivered when due in accordance with either such Section, then Pricing Level 5 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered.

"Applicant Borrower" has the meaning specified in Section 2.14.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arrangers" means, collectively, Banc of America Securities LLC and J.P. Morgan Securities Inc., in each case in its capacity as joint lead arranger and joint book manager.

"Arrangers Fee Letter" means the letter agreement, dated March 22, 2006, among the Company, the Initial Designated Borrower, Bank of America, JPMorgan Chase Bank, N.A. and the Arrangers.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease, and (c) in respect of any Permitted Receivables Purchase Facility, the amount of obligations outstanding under such Permitted Receivables Purchase Facility that would be characterized as principal if such facility were structured as a secured lending transaction rather than as a purchase, whether such obligations constitute on-balance sheet Indebtedness or an off-balance sheet liability.

"Audited Financial Statements" means the audited consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 2005, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Company and its Subsidiaries, including the notes thereto.

"Availability Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.06(a), (c) the date of the reduction of the Aggregate Commitments to zero pursuant to Section 2.06(b) and (d) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.02.

"Bank of America" means Bank of America, N.A. and its successors.

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Committed Loan" means a Committed Loan that is a Base Rate Loan.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate. All Base Rate Loans shall be denominated in Dollars.

"Borrower" and "Borrowers" each has the meaning specified in the introductory paragraph hereto.

"Borrower Materials" has the meaning specified in Section 6.02.

"Borrowing" means a Committed Borrowing or a Swing Line Borrowing, as the context may require.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office with respect to Obligations denominated in Dollars is located and:

(a) if such day relates to any interest rate settings as to a Eurocurrency Rate Loan denominated in Dollars, any fundings, disbursements, settlements and payments in Dollars in respect of any such Eurocurrency Rate Loan, or any other dealings in Dollars to be carried out pursuant to this Agreement in respect of any such Eurocurrency Rate Loan, means any such day on which dealings in deposits in Dollars are conducted by and between banks in the London interbank eurodollar market; and

(b) if such day relates to any interest rate settings as to a Eurocurrency Rate Loan denominated in Euro, any fundings, disbursements, settlements and payments in Euro in respect of any such Eurocurrency Rate Loan, or any other dealings in Euro to be carried out pursuant to this Agreement in respect of any such Eurocurrency Rate Loan, means a TARGET Day.

"Cash Collateralize" has the meaning specified in Section 2.03(g)(iv).

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Change of Control" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) (other than the Horne Parties) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire

(such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of equity securities of the Company representing 35% or more of the aggregate voting power with respect to elections of members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Company cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) except for directors' qualifying shares in jurisdictions where such qualifying shares are required, the Company shall fail to own directly or indirectly, one hundred percent (100%) of the Equity Interests of each Designated Borrower and, unless such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder, each Subsidiary Guarantor.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

"Code" means the Internal Revenue Code of 1986.

"Commission" means the Securities and Exchange Commission of the United States of America and any Person succeeding to the functions thereof.

"Commitment" means, as to each Lender, its obligation to (a) make Committed Loans to the Borrowers pursuant to Section 2.01, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the Dollar amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Loans of the same Type, in the same currency and, in the case of Eurocurrency Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

"Committed Loan" has the meaning specified in Section 2.01.

"Committed Loan Notice" means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurocurrency Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

"Company" has the meaning specified in the introductory paragraph hereto.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Consolidated EBITDA" means, for any period, for the Company and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Total Interest Expense for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by the Company and its Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) other non-recurring expenses of the Company and its Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period and (v) Losses from Discontinued Operations and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of the Company and its Subsidiaries for such period and (ii) all non-cash items increasing Consolidated Net Income for such period ; provided, however, when calculating Consolidated EBITDA for any period in which a Permitted Acquisition has occurred, the calculation of Consolidated EBITDA shall be made on a Pro Forma Basis .

"Consolidated Funded Indebtedness" means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, the sum of (without duplication) (a) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) all purchase money Indebtedness, (c) all direct obligations arising under letters of credit (excluding standby but including commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments, (d) all obligations in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business), (e) Attributable Indebtedness in respect of capital leases, Synthetic Lease Obligations and Permitted Receivables Purchase Facilities, (f) all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) through (e) above of Persons other than the Company or any Subsidiary, and (g) all Indebtedness of the types referred to in clauses (a) through (f) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company or similar entity) in which the Company or a Subsidiary is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to the Company or such Subsidiary.

"Consolidated Interest Coverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four fiscal quarters most recently ended *to* (b) Consolidated Total Interest Expense for such period.

"Consolidated Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Funded Indebtedness as of such date *to* (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; provided, however, when calculating the Consolidated Leverage Ratio for any period in which a Permitted Acquisition has occurred, the calculation of the Consolidated Leverage Ratio shall be made on a Pro Forma Basis.

"Consolidated Net Income" means, for any period, for the Company and its Subsidiaries on a consolidated basis, the net income of the Company and its Subsidiaries (excluding extraordinary gains and excluding non-cash extraordinary losses) for that period.

"Consolidated Net Worth" means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, an amount equal to Shareholders' Equity of the Company and its Subsidiaries on that date.

"Consolidated Total Assets" means the total assets of the Company and its Subsidiaries on a consolidated basis, determined in accordance with GAAP.

"Consolidated Total Interest Expense" means, for any period, the aggregate amount of interest required to be paid or accrued by the Company and its Subsidiaries during such period on all Indebtedness of the Company and its Subsidiaries outstanding during all or any part of such period, whether such interest was or is required to be reflected as an item of expense or capitalized, including payments consisting of interest in respect of any capitalized leases, Synthetic Lease Obligations and Permitted Receivables Purchase Facilities, and including commitment fees, agency fees, facility fees, utilization fees, balance deficiency fees and similar fees or expenses in connection with the borrowing of money.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Extension" means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

"Debt Rating" has the meaning specified in the definition of "Applicable Rate."

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the

United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) 2% per annum; provided, however, that with respect to a Eurocurrency Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Committed Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder unless such failure has been cured prior to receipt by such Lender of notice from the Company pursuant to Section 10.13, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute or unless such failure has been cured prior to receipt by such Lender of notice from the Company pursuant to Section 10.13, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Designated Borrower" has the meaning specified in the introductory paragraph hereto.

"Designated Borrower Notice" has the meaning specified in Section 2.14.

"Designated Borrower Request and Assumption Agreement" has the meaning specified in Section 2.14.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Dollar" and "$" mean lawful money of the United States.

"Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in Euros, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with Euros.

"Domestic Designated Borrower" means any Designated Borrower that is a Domestic Subsidiary of the Company.

"Domestic Loan Parties" means, collectively (i) the Company, (ii) each Domestic Designated Borrower and (iii) each Domestic Subsidiary Guarantor.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of any political subdivision of the United States.

"Domestic Subsidiary Guarantor" means (i) all of the Company's Material Domestic Subsidiaries party to the Guaranty Agreement and (ii) all other Subsidiaries of the Company which become Domestic Subsidiary Guarantors in accordance with Section 6.14(b).

"Dutch Banking Act" means the Dutch Act on the Supervision of Credit Institutions 1992 (*Wet toezicht kredietwezen 1992*).

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii), (v), (vi) and (vii) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

"EMU" means the economic and monetary union in accordance with the Treaty of Rome 1957, as amended by the Single European Act 1986, the Maastricht Treaty of 1992 and the Amsterdam Treaty of 1998.

"EMU Legislation" means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member

or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Euro" and "EUR" mean the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

"Eurocurrency Rate" means, for any Interest Period with respect to a Eurocurrency Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurocurrency Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in the relevant currency for delivery on the first day of such Interest Period in Same Day Funds in the approximate amount of the Eurocurrency Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch (or other Bank of America branch or Affiliate) to major banks in the London or other offshore interbank market for such currency at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Eurocurrency Rate Loan" means a Committed Loan that bears interest at a rate based on the Eurocurrency Rate. Eurocurrency Rate Loans may be denominated in Dollars or in Euros. All Committed Loans denominated in Euros must be Eurocurrency Rate Loans.

"Euro Equivalent" means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in Euros as determined by the Administrative Agent or the L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Euros with Dollars.

"Event of Default" has the meaning specified in Section 8.01.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in which it has a branch office or carries on a trade or business, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which such Borrower is located and (c) except as provided in the following sentence, in the case of a Foreign Lender (other than an assignee pursuant to a request by the Company under Section 10.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the applicable Borrower with respect to such withholding tax pursuant to Section 3.01(a). Notwithstanding anything to the contrary contained in this definition, "Excluded Taxes" shall not include any withholding tax imposed at any time on payments made by or on behalf of a Foreign Loan Party to any Lender hereunder or under any other Loan Document, provided that such Lender shall have complied with the last paragraph of Section 3.01(e).

"Exemption Regulation" means the Exemption Regulation (*Vrijstellingsregeling*) dated 26 June 2002, as amended from time to time, of the Ministry of Finance of the Netherlands, as promulgated in the Dutch Banking Act.

"Existing Credit Agreement" has the meaning specified in the Preliminary Statements.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fee Letters" means, collectively, the Administrative Agent Fee Letter and the Arrangers Fee Letter.

"Foreign Designated Borrower" means any Designated Borrower that is a Foreign Subsidiary of the Company.

"Foreign Lender" means, with respect to any Borrower, any Lender that is organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Loan Parties" means, collectively, (i) the Foreign Designated Borrowers and (ii) the Foreign Subsidiary Guarantors.

"Foreign Subsidiary" means any Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

"Foreign Subsidiary Guarantor" means (i) any Subsidiary listed on Schedule 6.15 or (ii) any other Foreign Subsidiary party to one of the Guaranties, in each case, unless such Person shall constitute a Domestic Subsidiary Guarantor.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"German Subsidiary" means any Subsidiary of the Company organized under the laws of Germany or any political subdivision thereof.

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

"Guarantee" means, as to any Person, any (a) obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the

purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guaranteed Swap Contract" means any Swap Contract to which the Company or any other Loan Party and any Lender (or any Affiliate of any Lender) is a party.

"Guaranties" means the Guaranty Agreement and any other guaranty executed by any Designated Borrower or any Subsidiary Guarantor in favor of the Administrative Agent, on behalf of itself and the Lenders, in respect of the Obligations or, in the case of any Foreign Loan Party, the Obligations of each Foreign Designated Borrower.

"Guaranty Agreement" means the Amended and Restated Guaranty made by the Loan Parties in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit F.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Horne Parties" means (i) Timothy P. Horne, (ii) any individual related by blood, marriage or adoption to Timothy P. Horne and (iii) the Horne Voting Trust and any other trust that holds shares for the primary benefit of one or more of the individuals described in the foregoing clauses (i) and (ii).

"Horne Voting Trust" means the trust established by the Amended and Restated George B. Horne Voting Trust Agreement — 1997, dated as of September 14, 1999.

"Increase Effective Date" has the meaning specified in Section 2.16(d).

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) Attributable Indebtedness in respect of capital leases (including in connection with any sale and leaseback transaction), Synthetic Lease Obligations and Permitted Receivables Purchase Facilities;

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company or similar legal entity) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitees" has the meaning specified in Section 10.04(b).

"Initial Designated Borrower" means Watts Industries Europe B.V., a private company with limited liability organized under the laws of The Netherlands.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurocurrency Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest

Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, as to each Eurocurrency Rate Loan, the period commencing on the date such Eurocurrency Rate Loan is disbursed or converted to or continued as a Eurocurrency Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the applicable Borrower in its Committed Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

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

(iii) no Interest Period shall extend beyond the Maturity Date.

"Internal Control Event" means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Company's internal controls over financial reporting, in each case as described in the Securities Laws.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IP Rights" has the meaning specified in Section 5.17.

"IRS" means the United States Internal Revenue Service.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Company (or any Subsidiary) or in favor the L/C Issuer and relating to any such Letter of Credit.

"Laws" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage. All L/C Advances shall be denominated in Dollars.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Committed Borrowing. All L/C Borrowings shall be denominated in Dollars.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"L/C Issuer" means Bank of America in its capacity as issuer of Letters of Credit hereunder or any successor issuer of Letters of Credit hereunder.

"L/C Obligations" means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"Lender" has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the Swing Line Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Company and the Administrative Agent.

"Letter of Credit" means any standby letter of credit issued hereunder. Letters of Credit may be issued in Dollars or in Euros.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

"Letter of Credit Expiration Date" means the day that is seven days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

"Letter of Credit Fee" has the meaning specified in Section 2.03(i).

"Letter of Credit Sublimit" means an amount equal to $50,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing), but not including the interest of a lessor under an operating lease or the interest of a purchaser of Permitted Receivables under any Permitted Receivables Purchase Facility.

"Loan" means an extension of credit by a Lender to a Borrower under Article II in the form of a Committed Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, each Designated Borrower Request and Assumption Agreement, each Note, each Issuer Document, each Fee Letter and the Guaranties.

"Loan Parties" means, collectively, each Domestic Loan Party and each Foreign Loan Party.

"Losses from Discontinued Operations" means, for any period and without duplication, operating losses and losses and expenses incurred or charges taken in connection with the operations of James Jones Company and the discontinuance thereof.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, liabilities (actual or contingent) or condition (financial or otherwise) of the Company or the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

"Maturity Date" means April 27, 2011.

"Material Domestic Subsidiary" means any Domestic Subsidiary of the Company listed on Schedule 5.19 (as such Schedule may be revised pursuant to Section 2.15) or the most recent supplement thereto delivered in accordance with Section 6.02(f) or 7.04(c)(iv), as applicable.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Disposition Proceeds" means, with respect to any Disposition of any assets of the Company or any of its Subsidiaries, the excess of (a) the gross cash proceeds received by such

Person from any such Disposition and any cash payments received in respect of promissory notes or other non-cash consideration delivered to such Person in respect thereof over (b) the sum (without duplication) of (i) all reasonable and customary legal, investment banking, brokerage and accounting and other professional fees and disbursements actually incurred in connection with such Disposition which have not been paid to Affiliates of the Borrower in connection therewith, (ii) all taxes and other governmental costs and expenses actually paid or estimated by such Person (in good faith) to be payable in cash in connection with such Disposition, and (iii) payments made by such Person to retire Indebtedness (other than the Credit Extensions) of such Person where payment of such Indebtedness is required in connection with such Disposition; provided, however, that if, after the payment of all taxes with respect to such Disposition, the amount of estimated taxes, if any, pursuant to clause (b)(ii) above exceeded the tax amount actually paid in cash in respect of such Disposition, the aggregate amount of such excess shall, at such time, constitute Net Disposition Proceeds.

"Note" means a promissory note made by a Borrower in favor of a Lender evidencing Loans made by such Lender to such Borrower, substantially in the form of Exhibit C.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or Guaranteed Swap Contract or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Asset Control.

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Outstanding Amount" means (i) with respect to Committed Loans on any date, the Dollar Equivalent amount of the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Committed Loans occurring on

such date; (ii) with respect to Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Swing Line Loans occurring on such date; and (iii) with respect to any L/C Obligations on any date, the Dollar Equivalent amount of the aggregate outstanding amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Company of Unreimbursed Amounts.

"Overnight Rate" means, for any day, (a) with respect to any amount denominated in Dollars, the greater of (i) the Federal Funds Rate and (ii) an overnight rate determined by the Administrative Agent, the L/C Issuer, or the Swing Line Lender, as the case may be, in accordance with banking industry rules on interbank compensation, and (b) with respect to any amount denominated in Euros, the rate of interest per annum at which overnight deposits in Euros, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by a branch or Affiliate of Bank of America in the applicable offshore interbank market for Euros to major banks in such interbank market.

"Participant" has the meaning specified in Section 10.06(d).

"Participating Member State" means each state so described in any EMU Legislation.

"PBGC" means the Pension Benefit Guaranty Corporation.

"PCAOB" means the Public Company Accounting Oversight Board.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Company or any ERISA Affiliate or to which the Company or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Permitted Acquisition" has the meaning specified in Section 7.04(c).

"Permitted Receivables" means all obligations of any obligor (whether now existing or hereafter arising) under a contract for sale of goods or services by any Loan Party or other Subsidiary of the Company, which shall include any obligation of such obligor (whether now existing or hereafter arising) to pay interest, finance charges or amounts with respect thereto, and, with respect to any of the foregoing receivables or obligations, (a) all of the interest of the Company or any of its Subsidiaries in the goods (including returned goods) the sale of which gave rise to such receivable or obligation after the passage of title thereto to any obligor, (b) all other Liens and property subject thereto from time to time purporting to secure payment of such receivables or obligations, and (c) all guarantees, insurance, letters of credit and other agreements or arrangements of whatever character from time to time supporting or securing payment of any such receivables or obligations.

"Permitted Receivables Purchase Facility" means any agreement of any Loan Party or other Subsidiary of the Company providing for sales, transfers or conveyances of Permitted

Receivables purporting to be sales (and considered sales under GAAP) that do not provide, directly or indirectly, for recourse against the seller of such Permitted Receivables (or against any of such seller's Affiliates) by way of a guaranty or any other support arrangement, with respect to the amount of such Permitted Receivables (based on the financial condition or circumstances of the obligor thereunder), other than such limited recourse as is reasonable given market standards for transactions of a similar type, taking into account such factors as historical bad debt loss experience and obligor concentration levels.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Company or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

"Platform" has the meaning specified in Section 6.02.

"PMP" means a "professional market party" (*professionele marktpartij*) within the meaning of the Exemption Regulation.

"Pro Forma Basis" means, with respect to any proposed Permitted Acquisition, the Consolidated Funded Indebtedness and Consolidated EBITDA for each of the four fiscal quarters immediately preceding such Permitted Acquisition being calculated with reference to the audited historical financial statements of the Person so acquired together with any interim financial statements of such Person so acquired prepared since the date of the last audited financial statements and prepared in a manner consistent with past practices (or, to the extent such Person so acquired has no audited historical financial statements, the management prepared financial statements of such Person so acquired, with such statements to be in form and substance reasonably acceptable to the Administrative Agent), and the Company and its Subsidiaries for the applicable Test Period after giving effect on a pro forma basis to such Permitted Acquisition (and assuming that such Permitted Acquisition had been consummated at the beginning of such Test Period) in the manner described in clauses (i), and (ii) below; provided, however, that, in each case, in the event that either no historical financial statements are available with respect to the Person to be acquired, the Person to be acquired is not a separate legal entity, the Company or Subsidiary effecting the acquisition is acquiring only assets of another Person or, in the Administrative Agent's reasonable discretion it determines the historical financial statements do not adequately reflect the financial statements of the Person or assets to be acquired, such calculations shall be made with reference to reasonable estimates of such past performance made by the Company based on existing data and other available information, such estimates to be acceptable to the Administrative Agent:

(i) all Indebtedness (whether under this Credit Agreement or otherwise) and any other balance sheet adjustments incurred or made in connection with the Permitted Acquisition, if any, shall be deemed to have been incurred or made on the first day of the Test Period, and all Indebtedness of the Person to be acquired in such Permitted Acquisition which was repaid concurrently with the consummation of the Permitted Acquisition, if any, shall be deemed to have been repaid concurrently with the deemed

incurrence of the Indebtedness, if any, incurred in connection with the Permitted Acquisition; and

(ii) other reasonable cost savings, expenses and other income statement or operating statement adjustments, including, without limitation, those which are attributable to the change in ownership and/or management resulting from such Permitted Acquisition, as in any case are (i) set forth in a schedule delivered to the Administrative Agent concurrent with the consummation of such Permitted Acquisition and (ii) approved by the Administrative Agent, shall be deemed to have been realized on the first day of the Test Period; provided, that the Administrative Agent shall be deemed to have provided such consent if it shall not have objected to any such items within five Business Days of its receipt of such schedule.

"Public Company" means any Person that is required to file periodic reports with the SEC pursuant to the Securities Laws (or any Person subject to similar requirements under the laws of any other Governmental Authority)

"Purchase Price" means, with respect to any Acquisition, the aggregate amount of consideration for such Acquisition consisting of cash, Indebtedness directly or indirectly incurred or assumed in connection therewith (including, without limitation, Indebtedness of the Person subject to such Acquisition if effected as an acquisition of such Person's Equity Interests or merger of such Person with and into the Company or any existing Subsidiary) and contingent obligations to repurchase Equity Interests issued as part of the consideration for such Acquisition.

"Receivables Subsidiary" means a special purpose, bankruptcy remote wholly-owned Subsidiary of the Company which may be formed for the sole and exclusive purpose of engaging in activities in connection with the purchase, sale and financing of Permitted Receivables in connection with and pursuant to a Permitted Receivables Purchase Facility.

"Register" has the meaning specified in Section 10.06(c).

"Registered Public Accounting Firm" has the meaning specified in the Securities Laws and shall be independent of the Company as prescribed by the Securities Laws.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Committed Loans, a Committed Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to the Company's stockholders, partners or members (or the equivalent Person thereof).

"Revaluation Date" means (a) with respect to any Loan, each of the following: (i) each date of a Borrowing of a Eurocurrency Rate Loan denominated in Euros, (ii) each date of a continuation of a Eurocurrency Rate Loan denominated in Euros pursuant to Section 2.02, and (iii) such additional dates as the Administrative Agent shall determine or the Required Lenders shall require; and (b) with respect to any Letter of Credit, each of the following: (i) each date of issuance of a Letter of Credit denominated in Euros, (ii) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof (solely with respect to the increased amount), (iii) each date of any payment by the L/C Issuer under any Letter of Credit denominated in Euros and (iv) such additional dates as the Administrative Agent or the L/C Issuer shall determine or the Required Lenders shall require.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"Same Day Funds" means (a) with respect to disbursements and payments in Dollars, immediately available funds, and (b) with respect to disbursements and payments in Euros, same day or other funds as may be determined by the Administrative Agent or the L/C Issuer, as the case may be, to be customary in the place of disbursement or payment for the settlement of international banking transactions in Euros.

"Sarbanes-Oxley" means the Sarbanes-Oxley Act of 2002.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the PCAOB.

"Senior Note Documents" means, collectively, the 2003 Senior Notes, the 2003 Note Purchase Agreement, the 2006 Senior Notes, the 2006 Note Purchase Agreement, and, in each case, any other documents executed in connection therewith, together with any permitted amendments, supplements or modifications thereto.

"Senior Notes" means, collectively, the 2003 Senior Notes and the 2006 Senior Notes.

"Shareholders' Equity" means, as of any date of determination, consolidated shareholders' equity of the Company and its Subsidiaries as of that date determined in accordance with GAAP.

"Specified JV/Intercompany Asset Transfer" means the contribution or Disposition of any property (other than cash) (i) by any Domestic Loan Party to any Subsidiary that is not a Domestic Loan Party, (ii) by any Foreign Loan Party to any Subsidiary that is not a Loan Party or (iii) by the Company or any Subsidiary to any joint venture in accordance with Section 7.02(g).

"Spot Rate" for a currency means the rate determined by the Administrative Agent or the L/C Issuer, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; provided that the Administrative Agent or the L/C Issuer may obtain such spot rate from another financial institution designated by the Administrative Agent or the L/C Issuer if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and provided further that the L/C Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in Euros.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership or other entity (" Other Person") of which more than 50% of the outstanding Voting Stock of such Other Person (irrespective of whether at the time Equity Interests of any other class or classes of such Other Person shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Company.

"Subsidiary Guarantors" means, collectively, the Domestic Subsidiary Guarantors and the Foreign Subsidiary Guarantors.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a " Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swing Line" means the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.04.

"Swing Line Borrowing" means a borrowing of a Swing Line Loan pursuant to Section 2.04.

"Swing Line Lender" means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loan" has the meaning specified in Section 2.04(a).

"Swing Line Loan Notice" means a notice of a Swing Line Borrowing pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit B.

"Swing Line Sublimit" means an amount equal to the lesser of (a) $10,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Target" has the meaning specified in Section 7.04(c).

"TARGET Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) determined by the Administrative Agent to be a suitable replacement) is open for the settlement of payments in Euro.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Test Period" means, with respect to any Permitted Acquisition, the period of four fiscal quarters included in any covenant calculation and occurring prior to the date of such Permitted Acquisition as set forth in the definition of "Pro Forma Basis".

"Threshold Amount" means $25,000,000.

"Total Outstandings" means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

"Type" means, with respect to a Committed Loan, its character as a Base Rate Loan or a Eurocurrency Rate Loan.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." mean the United States of America.

"Unreimbursed Amount" has the meaning specified in Section 2.03(c)(i).

"Voting Stock" means Equity Interests, of any class or classes (however designated), the holders of which are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the corporation, association, trust or other business entity involved, whether or not the right so to vote exists by reason of the happening of a contingency.

"Watts Germany" means Watts Industries Deutschland GmbH, a company organized under the laws of Germany.

"Watts Londa" means Watts Londa S.p.a., a company organized under the laws of Italy.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(i) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall

include the corresponding masculine, feminine and neuter forms. The words " include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word " shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words " herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words " asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

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

(iii) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Company or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation

between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Exchange Rates; Currency Equivalents. (a) The Administrative Agent or the L/C Issuer, as applicable, shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of Credit Extensions and Outstanding Amounts denominated in Euros. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by Loan Parties hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent or the L/C Issuer, as applicable.

(b) Wherever in this Agreement in connection with a Committed Borrowing, conversion, continuation or prepayment of a Eurocurrency Rate Loan or the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Committed Borrowing, Eurocurrency Rate Loan or Letter of Credit is denominated in Euros, such amount shall be the Euro Equivalent of such Dollar amount (rounded to the nearest Euro, with 0.5 of a Euro being rounded upward), as determined by the Administrative Agent or the L/C Issuer, as the case may be.

1.06 Change of Currency. Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

1.07 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.08 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the Dollar Equivalent of the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Committed Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a "Committed Loan") to the Borrowers in Dollars or in Euros from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that after giving effect to any Committed Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Committed Loans may be Base Rate Loans or Eurocurrency Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurocurrency Rate Loans shall be made upon the applicable Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurocurrency Rate Loans denominated in Dollars or of any conversion of Eurocurrency Rate Loans denominated in Dollars to Base Rate Committed Loans, (ii) four Business Days prior to the requested date of any Borrowing or continuation of Eurocurrency Rate Loans denominated in Euros, and (iii) on the requested date of any Borrowing of Base Rate Committed Loans. Each telephonic notice by a Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of such Borrower. Each Borrowing of, conversion to or continuation of Eurocurrency Rate Loans shall be in a principal amount of $2,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Sections 2.03(c) and 2.04(c), each Committed Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the applicable Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from one Type to the other, or a continuation of Eurocurrency Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, (v) if applicable, the duration of the Interest Period with respect thereto and (vi) the currency of the Committed Loans to be borrowed. If the applicable Borrower fails to specify a currency in a Committed Loan Notice requesting a Borrowing, then the Committed Loans so requested shall be made in Dollars. If the applicable Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the applicable Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable

Committed Loans shall be made as, or converted to, Base Rate Loans; provided, however, that in the case of a failure to timely request a continuation of Committed Loans denominated in Euros, such Loans shall be continued as Eurocurrency Rate Loans in Euros with an Interest Period of one month. Any automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurocurrency Rate Loans. If a Borrower requests a Borrowing of, conversion to, or continuation of Eurocurrency Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. No Committed Loan may be converted into or continued as a Committed Loan denominated in a different currency, but instead must be prepaid in the original currency of such Committed Loan and reborrowed in the other currency.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount (and currency) of its Applicable Percentage of the applicable Committed Loans, and if no timely notice of a conversion or continuation is provided by the applicable Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans or continuation of Committed Loans denominated in Euros, in each case as described in the preceding subsection. In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in Same Day Funds at the Administrative Agent's Office for the applicable currency not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the applicable Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of such Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by such Borrower; provided, however, that if, on the date the Committed Loan Notice with respect to such Borrowing denominated in Dollars is given by such Borrower, there are L/C Borrowings outstanding to any Borrower, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and, second, shall be made available to such Borrower as provided above.

(c) Except as otherwise provided herein, a Eurocurrency Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurocurrency Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurocurrency Rate Loans (whether in Dollars or Euros) without the consent of the Required Lenders, and the Required Lenders may demand that any or all of the then outstanding Eurocurrency Rate Loans denominated in Euros be prepaid, or redenominated into Dollars in the amount of the Dollar Equivalent thereof, on the last day of the then current Interest Period with respect thereto.

(d) The Administrative Agent shall promptly notify the Borrowers and the Lenders of the interest rate applicable to any Interest Period for Eurocurrency Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrowers and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Committed Borrowings, all conversions of Committed Loans from one Type to the other, and all continuations of Committed Loans as the same Type, there shall not be more than six Interest Periods in effect with respect to Committed Loans.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or in Euros for the account of (i) in the case of any Letter of Credit issued at the request of the Company, the Company or any of its Subsidiaries or (ii) in the case of any Letter of Credit issued at the request of a Designated Borrower, such Designated Borrower or any of its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrowers or their respective Subsidiaries and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Outstandings shall not exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by a Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by such Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrowers' ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrowers may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) The L/C Issuer shall not issue any Letter of Credit, if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(iii) The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and the L/C Issuer, such Letter of Credit is in an initial stated amount less than $500,000;

(D) the L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency;

(E) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(F) a default of any Lender's obligations to fund under Section 2.03(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the L/C Issuer has entered into satisfactory arrangements with the Company or such Lender to eliminate the L/C Issuer's risk with respect to such Lender.

(iv) The L/C Issuer shall not amend any Letter of Credit if the L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(v) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(vi) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit ; Auto-Extension Letters of Credit .

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of a Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of such Borrower or a person designated by a Responsible Officer thereof whose identity is notified in writing to the Administrative Agent. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount and currency thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the name of the applicant therefor and (H) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require. Additionally, the applicable Borrower shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the applicable Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the applicable Borrower (or the applicable Subsidiary thereof) or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) If the applicable Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an " Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the " Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the applicable Borrower shall not be required to make a specific request to the L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is five Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the applicable Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing the L/C Issuer not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the applicable Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations .

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the applicable Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in Euros, the Borrower that requested the issuance of such Letter of Credit shall reimburse the L/C Issuer in Euros, unless (A) the L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars, or (B) in the absence of any such requirement for reimbursement in Dollars, such Borrower shall have notified the L/C Issuer promptly following receipt of the notice of drawing that such Borrower will reimburse the L/C Issuer in Dollars. In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in Euros, the L/C Issuer shall notify the applicable Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. Not later than 11:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an " Honor Date"), the Borrower that requested the issuance of such Letter of Credit shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing and in the applicable currency. If the applicable Borrower fails to so reimburse

the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in Euros) (the " Unreimbursed Amount"), and the amount of such Lender's Applicable Percentage thereof. In such event, the applicable Borrower shall be deemed to have requested a Committed Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer, in Dollars, at the Administrative Agent's Office for Dollar-denominated payments in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the applicable Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer in Dollars.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Committed Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the applicable Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Committed Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make Committed Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, any Borrower, any Subsidiary or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default,

or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the applicable Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the applicable Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the applicable Overnight Rate from time to time in effect, plus any administrative, processing or similar fees customarily charged by the L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Committed Loan included in the relevant Committed Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the applicable Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof in Dollars and in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the applicable Overnight Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of each Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit requested by such Borrower and to repay

each L/C Borrowing in respect of such Letters of Credit shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that any Borrower or any Subsidiary thereof may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any adverse change in the relevant exchange rates or in the availability of Euros to any Borrower or any Subsidiary thereof or in the relevant currency markets generally; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Borrower or any Subsidiary thereof.

Each Borrower shall promptly examine a copy of each Letter of Credit requested by such Borrower and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with such Borrower's instructions or other irregularity, such Borrower will immediately notify the L/C Issuer. Such Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Lender and each Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the

Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. Each Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude such Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, a Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to a Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by such Borrower which such Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. (i) Upon the request of the Administrative Agent, (A) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (B) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrowers shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations; provided, that, in the case of the foregoing clause (A), such cash collateral shall be released to the Borrower upon repayment of such L/C Borrowing or the refinancing of such L/C Borrowing pursuant to a Committed Borrowing.

(ii) In addition, if the Administrative Agent notifies the Company at any time that the Outstanding Amount of all L/C Obligations at such time exceeds 105% of the Letter of Credit Sublimit then in effect, then, within two Business Days after receipt of such notice, the Borrowers shall Cash Collateralize the L/C Obligations in an amount equal to the amount by which the Outstanding Amount of all L/C Obligations exceeds the Letter of Credit Sublimit.

(iii) The Administrative Agent may from time to time after the initial deposit of Cash Collateral, at any time that the Outstanding Amount of all L/C Obligations exceeds 100% of the Letter of Credit Sublimit then in effect, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.

(iv) Sections 2.05, 2.06(b) and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05, Section 2.06(b) and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. Upon any such pledge, deposit or delivery, the Company shall be deemed to have granted to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing and shall execute such additional documentation with respect to such grant of security as the Administrative Agent shall reasonably request. Cash Collateral shall be maintained in a blocked interest-bearing deposit account at Bank of America.

(h) Applicability of ISP. Unless otherwise expressly agreed by the L/C Issuer and the Company when a Letter of Credit is issued, the rules of the ISP shall apply to each Letter of Credit.

(i) Letter of Credit Fees. Each Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, in Dollars, a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit issued at the request of such Borrower equal to the Applicable Rate times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. Letter of Credit Fees shall be (i) computed on a quarterly basis in arrears and (ii) due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, upon the request of the Required Lenders, while any Event of Default exists, all Letter of Credit Fees shall accrue at the Default Rate.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. Each Borrower shall pay directly to the L/C Issuer for its own account, in Dollars, a fronting fee with respect to each Letter of Credit issued at the request of such Borrower at the rate per annum specified in the Administrative Agent Fee Letter, computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears, and due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.07. In addition, each Borrower shall pay directly to the L/C Issuer for its own account, in Dollars, with respect to each Letter of Credit issued at the request of such Borrower, the customary issuance, presentation, amendment and

other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(l) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary thereof, the applicable Borrower shall be obligated to reimburse the L/C Issuer hereunder for any and all drawings under such Letter of Credit. Each Borrower hereby acknowledges that the issuance of Letters of Credit for the account of its Subsidiaries inures to the benefit of such Borrower, and that such Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

2.04 Swing Line Loans.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.04, to make loans in Dollars (each such loan, a "Swing Line Loan") to the Company from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and provided, further, that the Company shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Company's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $100,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the

Company. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Company either by (i) crediting the account of the Company on the books of the Swing Line Lender in Same Day Funds or (ii) wire transferring such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Swing Line Lender by the Company.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may (and shall no less than twice per calendar month) request, on behalf of the Company (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02. The Swing Line Lender shall furnish the Company with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in Same Day Funds for the account of the Swing Line Lender at the Administrative Agent's Office for Dollar-denominated payments not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Company in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Committed Borrowing in accordance with Section 2.04(c)(i), the request for Base Rate Committed Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the applicable Overnight Rate from time to time in effect, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Committed Loan included in the relevant Committed Borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Company or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Company to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage thereof in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the applicable Overnight Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Company for interest on the Swing Line Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Company shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 Prepayments. (a) Each Borrower may, upon notice from such Borrower to the Administrative Agent, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurocurrency Rate Loans denominated in Dollars, (B) four Business Days prior to any date of prepayment of Eurocurrency Rate Loans denominated in Euros, and (C) on the date of prepayment of Base Rate Committed Loans; (ii) any prepayment of Eurocurrency Rate Loans denominated in Dollars shall be in a principal amount of $2,000,000 or a whole multiple of $1,000,000 in excess thereof; (iii) any prepayment of Eurocurrency Rate Loans denominated in Euros shall be in a minimum principal amount of $2,000,000 or a whole multiple of $1,000,000 in excess thereof; and (iv) any prepayment of Base Rate Committed Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid and, if Eurocurrency Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by a Borrower, such Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurocurrency Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Committed Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) The Company may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of $100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) If the Administrative Agent notifies the Company at any time that the Total Outstandings at such time exceed an amount equal to 105% of the Aggregate Commitments then in effect, then, within two Business Days after receipt of such notice, the Borrowers shall prepay Loans and/or the Company shall Cash Collateralize the L/C Obligations in an aggregate amount sufficient to reduce the Total Outstandings as of such date of payment to an amount not to

exceed 100% of the Aggregate Commitments then in effect; provided, however, that, subject to the provisions of Section 2.03(g)(ii), the Company shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.05(c) unless after the prepayment in full of the Loans the Total Outstandings exceed the Aggregate Commitments then in effect. The Administrative Agent may from time to time after the initial deposit of such Cash Collateral, at any time that the Total Outstandings exceed 100% of the Aggregate Commitments then in effect, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.

2.06 Termination or Reduction of Commitments.

(a) Optional Commitment Reductions. The Company may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $10,000,000 or any whole multiple of $1,000,000 in excess thereof and (iii) the Company shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Subject to subsection (c) of this Section 2.06, the amount of any such Aggregate Commitment reduction shall not be applied to the Letter of Credit Sublimit unless otherwise specified by the Company. Any reduction of the Aggregate Commitments pursuant to this Section 2.06(a) shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

(b) Mandatory Commitment Reduction. Upon the consummation of any Disposition (other than any Disposition permitted under clauses (a) through (h) of Section 7.05) by the Company or any Subsidiary, the Aggregate Commitments shall be reduced by an amount equal to the Net Disposition Proceeds of such Disposition; provided, that the following shall not be subject to a reduction of the Aggregate Commitments pursuant to this clause (b): (x) Net Disposition Proceeds that are reinvested in equipment or other assets within ninety (90) days following receipt thereof and (y) Net Disposition Proceeds of such Dispositions not reinvested as described in the foregoing clause (x) of less than $50,000,000 in the aggregate in any fiscal year. In connection with any such reduction of the Aggregate Commitments, the Borrowers shall prepay Loans and/or the Company shall Cash Collateralize the L/C Obligations in an aggregate amount sufficient to reduce the Total Outstanding as of the date of such reduction to an amount not to exceed the Aggregate Commitments after giving effect to such reduction; provided, however, that, subject to the provisions of Section 2.03(g)(ii), the Borrowers shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.06(b) unless after the prepayment in full of the Loans the Total Outstandings exceed the Aggregate Commitments after giving effect to such reduction.

(c) Effect on Commitments and Sublimits. Any reduction of the Aggregate Commitments pursuant to this Section 2.06 shall be applied to the Commitment of each Lender

according to its Applicable Percentage. If, after giving effect to any such reduction of the Aggregate Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit exceeds the amount of the Aggregate Commitments, such sublimit shall be automatically reduced by the amount of such excess.

2.07 Repayment of Loans. (a) Each Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Committed Loans made to such Borrower outstanding on such date.

(b) The Company shall repay each Swing Line Loan on the Maturity Date.

2.08 Interest. (a) Subject to the provisions of subsection (b) below, (i) each Eurocurrency Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurocurrency Rate for such Interest Period plus the Applicable Rate; (ii) each Base Rate Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate; and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by any Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists, the Borrowers shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees. In addition to certain fees described in subsections (i) and (j) of Section 2.03:

(a) Facility Fee. The Company shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a facility fee in Dollars equal to the Applicable Rate times the actual daily amount of the Aggregate Commitments regardless of usage (or, if the Aggregate Commitments have terminated, on the Total Outstandings). The facility fee shall accrue at all times during the Availability Period (and thereafter so long as any Committed Loans, Swing Line Loans or L/C Obligations remain outstanding), including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period (and, if applicable, thereafter on demand). The facility fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Other Fees. (i) The Company shall pay to the Arrangers and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letters. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Company shall pay to the Lenders, in Dollars, such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt. (a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters,

the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender to a Borrower made through the Administrative Agent, such Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans to such Borrower in addition to such accounts or records. Each Lender may attach schedules to a Note and endorse thereon the date, Type (if applicable), amount, currency and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 Payments Generally; Administrative Agent's Clawback. (a) General. All payments to be made by the Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein and except with respect to principal of and interest on Loans denominated in Euros, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in Dollars and in Same Day Funds not later than 2:00 p.m. on the date specified herein. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder with respect to principal and interest on Loans denominated in Euros shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in Euros and in Same Day Funds not later than 2:00 p.m. on the date specified herein. Without limiting the generality of the foregoing, the Administrative Agent may require that any payments due under this Agreement be made in the United States. If, for any reason, any Borrower is prohibited by any Law from making any required payment hereunder in Euros, such Borrower shall make such payment in Dollars in the Dollar Equivalent of the Euro payment amount. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent (i) after 2:00 p.m., in the case of payments in Dollars, or (ii) after 2:00 p.m. in the case of payments in Euros, shall in each case be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by any Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent . Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing of Eurocurrency Rate Loans (or, in the case of any Committed Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Committed Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Committed

Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in Same Day Funds with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by such Borrower, the interest rate applicable to Base Rate Loans. If such Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by such Borrower shall be without prejudice to any claim such Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrowers; Presumptions by Administrative Agent . Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuer hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the L/C Issuer, in Same Day Funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Overnight Rate.

A notice of the Administrative Agent to any Lender or Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to any Borrower as provided in the foregoing provisions of this Article II, and such funds are not made available to such Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender

to make any Committed Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Committed Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 2.13 shall not be construed to apply to (x) any payment made by a Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than to the Company or any Subsidiary thereof (as to which the provisions of this Section 2.13 shall apply).

Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

2.14 Designated Borrowers. (a) The Initial Designated Borrower is a "Designated Borrower" hereunder and may receive Loans for its account and request that Letters of Credit be issued for the account of itself or its Subsidiaries, in each case on the terms and conditions set forth in this Agreement.

(b) The Company may at any time, upon not less than 15 Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), designate any additional Subsidiary of the Company (an " Applicant Borrower") as a Designated Borrower to receive Loans and request the issuance of Letters of Credit hereunder by delivering to the Administrative Agent (which shall promptly deliver counterparts thereof to each Lender) a duly executed notice and agreement in substantially the form of Exhibit G (a "Designated Borrower Request and Assumption Agreement"). The parties hereto acknowledge and agree that prior to any Applicant Borrower becoming entitled to utilize the credit facilities provided for herein the Administrative Agent and the Lenders shall have received such supporting resolutions, incumbency certificates, opinions of counsel and other documents or information, in form, content and scope reasonably satisfactory to the Administrative Agent, as may be required by the Administrative Agent or the Required Lenders in their sole discretion, and Notes signed by such new Borrowers to the extent any Lenders so require. If the Administrative Agent and the Required Lenders agree that an Applicant Borrower shall be entitled to receive Loans and request the issuance of Letters of Credit hereunder, then promptly following receipt of all such requested resolutions, incumbency certificates, opinions of counsel and other documents or information, the Administrative Agent shall send a notice in substantially the form of Exhibit H (a "Designated Borrower Notice") to the Company and the Lenders specifying the effective date upon which the Applicant Borrower shall constitute a Designated Borrower for purposes hereof, whereupon each of the Lenders agrees to permit such Designated Borrower to receive Loans and request the issuance of Letters of Credit hereunder, on the terms and conditions set forth herein, and each of the parties agrees that such Designated Borrower otherwise shall be a Borrower for all purposes of this Agreement; provided that no Committed Loan Notice or Letter of Credit Application may be submitted by such Designated Borrower until the date five Business Days after such effective date.

(c) Concurrently with the delivery of each Designated Borrower Request and Assumption Agreement, the related Applicant Borrower shall execute and deliver to the Administrative Agent a counterpart of the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate in order for such Subsidiary to provide an unconditional guaranty of the Obligations of each other Borrower (in the case of any Domestic Designated Borrower) or each other Foreign Designated Borrower (in the case of any Foreign Designated Borrower), in form, content and scope reasonably satisfactory to the Administrative Agent.

(d) Each Subsidiary of the Company that is or becomes a "Designated Borrower" pursuant to this Section 2.14 hereby irrevocably appoints the Company as its agent for all purposes relevant to this Agreement and each of the other Loan Documents, including (i) the giving and receipt of notices, (ii) the execution and delivery of all documents, instruments and certificates contemplated herein and all modifications hereto, (iii) the receipt of the proceeds of any Loans made by the Lenders to any such Designated Borrower hereunder and (iv) the receipt and examination of a copy any Letter of Credit issued by the L/C Issuer at the request of such Designated Borrower hereunder. Any acknowledgment, consent, direction, certification or other action which might otherwise be valid or effective only if given or taken by all Borrowers, or by each Borrower acting singly, shall be valid and effective if given or taken only by the Company, whether or not any such other Borrower joins therein. Any notice, demand, consent, acknowledgement, direction, certification or other communication delivered to the Company in

accordance with the terms of this Agreement shall be deemed to have been delivered to each Designated Borrower.

(e) The Company may from time to time, upon not less than 15 Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), terminate a Designated Borrower's status as such, provided that (i) there are no outstanding Loans payable by such Designated Borrower and (ii) there are not outstanding Letters of Credit that were issued at the request of such Designated Borrower, or other amounts payable by such Designated Borrower on account of any Loans made to it or Letters of Credit issued at its request, as of the effective date of such termination. The Administrative Agent will promptly notify the Lenders of any such termination of a Designated Borrower's status.

2.15 Domestic Subsidiary Guarantors. The Company may at any time deliver to the Administrative Agent a revised Schedule 5.19 setting forth Domestic Subsidiaries of the Company sufficient to cause the representation and warranty set forth in Section 5.19 to be true and correct as of the date of delivery of such revised Schedule. On the date of delivery by the Company of a revised Schedule 5.19 pursuant to this Section 2.15, which revised Schedule indicates that any Domestic Subsidiary has become a Material Domestic Subsidiary, the Company shall cause such Domestic Subsidiary to (x) become a Domestic Subsidiary Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate in order for such Domestic Subsidiary to provide an unconditional guaranty of the Obligations of the Borrowers and (y) deliver to the Administrative Agent documents of the types referred to in clauses (iii), (iv) and (vii) of Section 4.01(a) and, if requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (x)), all in form, content and scope reasonably satisfactory to the Administrative Agent. Promptly following (i) delivery by the Company of a revised Schedule 5.19 pursuant to this Section 2.15, which revised Schedule indicates that any Domestic Subsidiary has ceased to constitute a Material Domestic Subsidiary and (ii) delivery by the Company of any documentation required pursuant to the foregoing sentence with respect to such revised Schedule, the Administrative Agent shall be authorized to, and shall promptly, execute and deliver to the Company such documentation as the Company may reasonably request in order to release such Domestic Subsidiary from the Guaranty Agreement.

2.16 Increase in Commitments.

(a) Request for Increase. Provided there exists no Default, upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Company may from time to time, request an increase in the Aggregate Commitments by an amount (for all such requests in the aggregate) not exceeding $150,000,000; provided that any such request for an increase shall be in a minimum amount of $5,000,000. At the time of sending such notice, the Company (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders).

(b) Lender Elections to Increase. Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Percentage of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment.

(c) Notification by Administrative Agent; Additional Lenders. The Administrative Agent shall notify the Company and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of the Administrative Agent and the L/C Issuer (which approvals shall not be unreasonably withheld), the Company may also invite additional Eligible Assignees to become Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Effective Date and Allocations. If the Aggregate Commitments are increased in accordance with this Section 2.16, the Administrative Agent and the Company shall determine the effective date (the "Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Company and the Lenders of the final allocation of such increase and the Increase Effective Date.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Company shall deliver to the Administrative Agent a certificate of each Loan Party dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party (I) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (II) in the case of the Company, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are (i) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects and (ii) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects, on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in such respects as of such earlier date, and except that for purposes of this Section 2.16, the representations and warranties contained in subsection (a) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) of Section 6.01 (subject, in the case of any unaudited statements furnished pursuant to clause (b) of Section 6.01, to the absence of footnotes and to normal year-end audit adjustments), and (B) no Default exists. The Borrowers shall prepay any Committed Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) on a non-ratable basis to the extent necessary to keep the outstanding Committed Loans ratable with any revised Applicable Percentages arising from any nonratable increase in the Commitments under this Section 2.16.

(f) Conflicting Provisions. This Section 2.16 shall supersede any provisions in Sections 2.13 or 10.01 to the contrary.

2.17 Lenders Representation Regarding Dutch Banking Act. Each Lender which is a party to this Agreement on the date hereof represents and warrants to the Initial Designated

Borrower on the date hereof that (i) it is a PMP, (ii) it is aware that it does not benefit from the protection offered by the Dutch Banking Act to Lenders which are not PMPs, and (iii) it has made its own independent appraisal of risks arising under or in connection with any Loan Documents. Each Lender acknowledges that the Initial Designated Borrower has relied upon such representation and warranty.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the respective Borrowers hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the applicable Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrowers. Without limiting the provisions of subsection (a) above, each Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrowers. Each Borrower shall indemnify the Administrative Agent, each Lender and the L/C Issuer, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) paid by the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to a Borrower by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is resident for

tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Company (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that a Borrower is resident for tax purposes in the United States, any Foreign Lender shall deliver to Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Company or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the applicable Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Company to determine the withholding or deduction required to be made.

Without limiting the obligations of the Lenders set forth above regarding delivery of certain forms and documents to establish each Lender's status for U.S. withholding tax purposes, each Lender agrees promptly to deliver to the Administrative Agent or the Company, as the Administrative Agent or the Company shall reasonably request, on or prior to the Closing Date, and in a timely fashion thereafter, such other documents and forms required by any relevant taxing authorities under the Laws of any other jurisdiction, duly executed and completed by such Lender, as are required under such Laws to confirm such Lender's entitlement to any available exemption from, or reduction of, applicable withholding taxes in respect of all payments to be made to such Lender outside of the U.S. by the Borrowers pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in such other

jurisdiction. Each Lender shall promptly (i) notify the Administrative Agent of any change in circumstances which would modify or render invalid any such claimed exemption or reduction, and (ii) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws of any such jurisdiction that any Borrower make any deduction or withholding for taxes from amounts payable to such Lender. Additionally, each of the Borrowers shall promptly deliver to the Administrative Agent or any Lender, as the Administrative Agent or such Lender shall reasonably request, on or prior to the Closing Date, and in a timely fashion thereafter, such documents and forms required by any relevant taxing authorities under the Laws of any jurisdiction, duly executed and completed by such Borrower, as are required to be furnished by such Lender or the Administrative Agent under such Laws in connection with any payment by the Administrative Agent or any Lender of Taxes or Other Taxes, or otherwise in connection with the Loan Documents, with respect to such jurisdiction.

(f) Treatment of Certain Refunds. If the Administrative Agent, any Lender or the L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section 3.01, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 3.01 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that each Borrower, upon the request of the Administrative Agent, such Lender or the L/C Issuer, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the L/C Issuer in the event the Administrative Agent, such Lender or the L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or the L/C Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurocurrency Rate Loans (whether denominated in Dollars or Euros), or to determine or charge interest rates based upon the Eurocurrency Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars or Euros in the applicable interbank market, then, on notice thereof by such Lender to the Company through the Administrative Agent, any obligation of such Lender to make or continue Eurocurrency Rate Loans in the affected currency or currencies or, in the case of Eurocurrency Rate Loans in Dollars, to convert Base Rate Committed Loans to Eurocurrency Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable and such Loans are denominated in Dollars, convert all such Eurocurrency Rate Loans of such Lender to Base Rate

Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurocurrency Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Rate Loans. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurocurrency Rate Loan or a conversion to or continuation thereof that (a) deposits (whether in Dollars or Euros) are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such Eurocurrency Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan (whether denominated in Dollars or Euros), or (c) the Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Eurocurrency Rate Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurocurrency Rate Loans in the affected currency or currencies shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Company may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Rate Loans in the affected currency or currencies or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs; Reserves on Eurocurrency Rate Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e), other than as set forth below) or the L/C Issuer;

(ii) subject any Lender or the L/C Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurocurrency Rate Loan made by it, or change the basis of taxation of payments to such Lender or the L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the L/C Issuer); or

(iii) impose on any Lender or the L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurocurrency Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or

maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the L/C Issuer, the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section 3.04 and delivered to the Company shall be conclusive absent manifest error. The Company shall pay (or cause the applicable Designated Borrower to pay) such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that no Borrower shall be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section 3.04 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Additional Reserve Requirements. The Company shall pay (or cause the applicable Designated Borrower to pay) to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurocurrency Rate Loan equal to the actual costs

of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Eurocurrency Rate Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which in each case shall be due and payable on each date on which interest is payable on such Loan, provided the Company shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest or costs from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest or costs shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Company shall promptly compensate (or cause the applicable Designated Borrower to compensate) such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by any Borrower (for a reason other than the failure of such Lender to make a Loan) to (i) prepay or borrow any Loan other than a Base Rate Loan or (ii) continue or convert any Loan as or into a Eurocurrency Rate Loan, in each case on the date or in the amount notified by the Company or the applicable Designated Borrower;

(c) any failure by any Borrower to make payment of any Loan or drawing under any Letter of Credit (or interest due thereon) denominated in Euros on its scheduled due date or any payment thereof in a different currency; or

(d) any assignment of a Eurocurrency Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Company pursuant to Section 10.13;

including any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Company shall also pay (or cause the applicable Designated Borrower to pay) any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Company (or the applicable Designated Borrower) to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurocurrency Rate Loan made by it at the Eurocurrency Rate for such Loan by a matching deposit or other borrowing in the offshore interbank market for such currency for a comparable amount and for a comparable period, whether or not such Eurocurrency Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay (or to cause the applicable Designated Borrower to pay) all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04 or provides notice under Section 3.02, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Company may replace such Lender in accordance with Section 10.13.

3.07 Survival. All of the Borrowers' obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV.
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of the L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party (or, in the case of the Initial Designated Borrower, an officer of the Initial Designated Borrower authorized to represent the Initial Designated Borrower, as evidenced by a recent extract from the Dutch Trade Register or otherwise), each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) counterparts of (i) this Agreement executed by each Borrower and (ii) the Guaranty Agreement executed by each Borrower and each Material Domestic Subsidiary as of the Closing Date, sufficient in number for distribution to the Administrative Agent, each Lender and the Company;

(ii) Notes executed by the Borrowers in favor of each Lender requesting Notes;

(iii) such certificates or resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing, in good standing and qualified to engage in business in its jurisdiction of organization;

(v) a favorable opinion of (i) Wilmer Cutler Pickering Hale and Dorr LLP, U.S. counsel to the Loan Parties, and (ii) Kenneth R. Lepage, Assistant General Counsel of the Company, in each case addressed to the Administrative Agent and each Lender, in form and substance acceptable to the Administrative Agent and each Lender;

(vi) a favorable opinion of NautaDutilh, Dutch counsel to the Administrative Agent, addressed to the Administrative Agent and each Lender, in form and substance acceptable to the Administrative Agent and each Lender;

(vii) a certificate of a Responsible Officer of each Loan Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(viii) a certificate signed by a Responsible Officer of the Company certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(ix) a copy of each of (i) the 2006 Note Purchase Agreement and (ii) Amendment No. 1 to the 2003 Note Purchase Agreement, in each case duly executed by each party thereto and in form and substance satisfactory to the Administrative Agent and each Lender; and

(x) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line Lender or the Required Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) Unless waived by the Administrative Agent, the Company shall have paid all fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be

incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. The obligation of each Lender and the L/C Issuer to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type, or a continuation of Eurocurrency Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of (i) the Borrowers contained in Article V (other than, in the case of any Credit Extension after the initial Credit Extension hereunder, the representation and warranty set forth in Section 5.05(c)) and (ii) each Loan Party contained in each other Loan Document or in any document furnished at any time under or in connection herewith or therewith, shall be (x) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects and (y) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects, on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in such respects as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsection (a) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) of Section 6.01 (subject, in the case of any unaudited statements furnished pursuant to clause (b) of Section 6.01, to the absence of footnotes and to normal year-end audit adjustments).

(b) No Default shall exist, or would result from such proposed Credit Extension or the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

(d) If the applicable Borrower is a Designated Borrower (other than the Initial Designated Borrower), then the conditions of Section 2.14(b) to the designation of such Borrower as a Designated Borrower shall have been met to the satisfaction of the Administrative Agent.

(e) In the case of a Credit Extension to be denominated in Euros, there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Administrative Agent, the Required Lenders (in the case of any Loans to be denominated in

Euros) or the L/C Issuer (in the case of any Letter of Credit to be denominated in Euros) would make it impracticable for such Credit Extension to be denominated in Euros.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type or a continuation of Eurocurrency Rate Loans) submitted by a Borrower shall be deemed to be a representation and warranty by such Borrower that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

Except as otherwise provided in Section 5.20, each Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence, Qualification and Power. Each Loan Party and each Subsidiary thereof (a)(i) is duly organized or formed and validly existing and (ii) is in good standing (to the extent such concept is applicable to such entity), in each case under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (a)(ii), (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law. Each Loan Party and each Subsidiary thereof is in compliance with all Contractual Obligations referred to in clause (b)(i), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person (other than those already obtained) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is

party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms.

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) There has been furnished to each Lender a copy of the projections of the annual operating budgets of the Company and its Subsidiaries on a consolidated basis, balance sheets and cash flow statements for the 2006 to 2011 fiscal years. The Company has disclosed all material assumptions made with respect to general economic, financial and market conditions used in formulating such projections and such projections. The projections reflect the reasonable estimates of the Company and its Subsidiaries of the results of operations and other information projected therein.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) To the best knowledge of the Company, (i) no Internal Control Event involving fraud exists or has occurred since the date of the Audited Financial Statements and (ii) no Internal Control Event resulting from a material weakness in the Company's internal controls over financial reporting that could reasonably be expected to have a Material Adverse Effect exists or has occurred since the date of the Audited Financial Statements.

5.06 Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company, threatened at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to the Existing Credit Agreement, this Agreement or any other Loan Document, or any of the transactions contemplated thereby or hereby, or (b) except as specifically disclosed in Schedule 5.06, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.07 No Default. Neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 Ownership of Property; Liens. Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Company and its Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 Environmental Compliance. The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in Schedule 5.09, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts (after giving effect to any self-insurance compatible with the following standards) , with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or the applicable Subsidiary operates.

5.11 Taxes. The Company and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect. Neither any Loan Party nor any Subsidiary thereof is party to any tax sharing agreement.

5.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Company, nothing has occurred which could reasonably be expected to prevent, or cause the loss of, such qualification. The Company and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no

prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i)(x) No ERISA Event has occurred or is reasonably expected to occur; (y) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); and (z) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan, that, in the case of the foregoing clauses (x), (y) and (z) in the aggregate, has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount; (ii) no Pension Plan has any Unfunded Pension Liability in excess of the Threshold Amount; and (iii) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.13 Subsidiaries; Equity Interests. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Schedule 5.13, and all of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by a Subsidiary in the amounts specified on Schedule 5.13 free and clear of all Liens. All of the outstanding Equity Interests in the Company have been validly issued and are fully paid and nonassessable.

5.14 Margin Regulations; Investment Company Act.

(a) No Borrower is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock. Following the application of the proceeds of each Borrowing or drawing under each Letter of Credit, not more than 25% of the value of the assets (either of the applicable Borrower only or of the Company and its Subsidiaries on a consolidated basis) subject to the provisions of Section 7.01 or Section 7.05 or subject to any restriction contained in any agreement or instrument between any Borrower and any Lender or any Affiliate of any Lender relating to Indebtedness and within the scope of Section 8.01(e) will be margin stock.

(b) None of the Company, any Person Controlling the Company, or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 Disclosure. No report, financial statement, certificate or other information furnished (in writing) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact (known to the Company or any of its Subsidiaries in the case of any document or information not furnished by one of its Subsidiaries) necessary to make the

statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 Compliance with Laws. Each of the Company and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 Intellectual Property; Licenses, Etc. The Company and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, " IP Rights") that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except as could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person, except as could not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Company, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.18 Senior Note Documents. The Company has heretofore furnished to the Administrative Agent true, complete and correct copies of the Senior Note Documents (including schedules, exhibits and annexes thereto). The Senior Note Documents have not been amended, supplemented or modified since the Closing Date (except as otherwise consented to by the Required Lenders) and constitute the complete understanding among the parties thereto in respect of the matters and transactions covered thereby. No "Event of Default" under (and as defined in) either the 2003 Note Purchase Agreement or the 2006 Note Purchase Agreement has occurred and is continuing.

5.19 Material Domestic Subsidiaries. As of the Closing Date Schedule 5.19, or as of the date thereof the most recent supplement to Schedule 5.19 delivered by the Company pursuant to Section 6.02(f) or Section 7.04(c)(iv) or the most recent revised Schedule 5.19 delivered by the Company pursuant to Section 2.15, sets forth Domestic Subsidiaries of the Company (on a Pro Forma Basis, in the case of any supplement delivered pursuant to Section 7.04(c)(iv)) (i) the total assets of which (not including Equity Interests of its Subsidiaries), in the aggregate together with the total assets of the Company (not including Equity Interests of its Subsidiaries), exceed eighty-five percent (85.0%) of the total assets of the Company and its Domestic Subsidiaries in the aggregate (not including Equity Interests of their respective Subsidiaries) and (ii) the EBITDA of which for the most recently ended fiscal quarter, in the aggregate together with the EBITDA of the Company for such fiscal quarter, exceeds eighty-five percent (85.0%) of the EBITDA of the Company and its Domestic Subsidiaries in the aggregate for such fiscal quarter.

As of the Closing Date, no Subsidiary of the Company (other than any Material Domestic Subsidiary) provides any Guarantee with respect to any Indebtedness of the Company (other than the Obligations).

5.20 Representations as to Foreign Loan Parties. Each of the Company and each Foreign Loan Party represents and warrants to the Administrative Agent and the Lenders that:

(a) Such Foreign Loan Party is subject to civil, commercial and common Laws with respect to its obligations under this Agreement and the other Loan Documents to which it is a party (collectively as to such Foreign Loan Party, the " Applicable Foreign Loan Party Documents "), and the execution, delivery and performance by such Foreign Loan Party of the Applicable Foreign Loan Party Documents constitute and will constitute private and commercial acts and not public or governmental acts. Neither such Foreign Loan Party nor any of its property has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction in which such Foreign Loan Party is organized and existing in respect of its obligations under the Applicable Foreign Loan Party Documents.

(b) The Applicable Foreign Loan Party Documents are in proper legal form under the Laws of the jurisdiction in which such Foreign Loan Party is organized and existing for the enforcement thereof against such Foreign Loan Party under the Laws of such jurisdiction (or such other law as shall be specified in such documents), and to ensure the legality, validity, enforceability (except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally), priority and admissibility in evidence of the Applicable Foreign Loan Party Documents. It is not necessary to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Loan Party Documents that the Applicable Foreign Loan Party Documents be filed, registered or recorded with, or executed or notarized before, any court or other authority in the jurisdiction in which such Foreign Loan Party is organized and existing or that any registration charge or stamp or similar tax be paid on or in respect of the Applicable Foreign Loan Party Documents or any other document, except for (i) any such filing, registration, recording, execution or notarization as has been made or is not required to be made until the Applicable Foreign Loan Party Document or any other document is sought to be enforced and (ii) any charge or tax as has been timely paid.

(c) There is no tax, levy, impost, duty, fee, assessment or other governmental charge, or any deduction or withholding, imposed by any Governmental Authority in or of the jurisdiction in which such Foreign Loan Party is organized and existing either (i) on or by virtue of the execution or delivery of the Applicable Foreign Loan Party Documents or (ii) on any payment to be made by such Foreign Loan Party pursuant to the Applicable Foreign Loan Party Documents, except as has been disclosed to the Administrative Agent.

(d) The execution, delivery and performance of the Applicable Foreign Loan Party Documents executed by such Foreign Loan Party are, under applicable foreign exchange control regulations of the jurisdiction in which such Foreign Loan Party is organized and existing, not subject to any notification or authorization except (i) such as have been made or obtained or (ii)

such as cannot be made or obtained until a later date (provided that any notification or authorization described in clause (ii) shall be made or obtained as soon as is reasonably practicable).

5.21 Dutch Companies.

(a) Entering into this Agreement and the other Loan Document and performing its obligations hereunder and thereunder does not and will not bring the Initial Designated Borrower within the definition of a "credit institution" (*kredietinstelling*) as defined in Section 1 of the Dutch Banking Act because the Initial Designated Borrower is and has always been the holding company of a group of European industrial Subsidiaries and is and has always been actively involved and concerned with the management and the business of its Subsidiaries and Affiliates. The Initial Designated Borrower does not passively invest in any of its Subsidiaries or Affiliates, nor has it done so in the past. The Loans and each previous loan provided to the Initial Designated Borrower serve and have always served solely and will only be used solely to support the activities and/or business of the Initial Designated Borrower and its Subsidiaries and Affiliates. All funds extended by the Initial Designated Borrower have been extended to its Subsidiaries and Affiliates only.

(b) As of the Closing Date, no works council (*ondernemingsraad*) has been established or is in the process of being established with respect to the business of the Initial Designated Borrower.

(c) To the best of the Company's and its Subsidiaries' knowledge, none of the assets owned by the Initial Designated Borrower have a public utility function, such that seizure of these assets is prohibited by virtue of sections 436 and 703 of the Dutch Code of Civil Procedure.

5.22 OFAC. None of the Loan Parties, any Subsidiary of any Loan Party or any Affiliate of any Loan Party (a) is a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/eotffc/ofac/sdn/ index.html, or as otherwise published from time to time; (b) is (i) an agency of the government of a country, (ii) an organization controlled by a country, or (iii) a Person resident in a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html, or as otherwise published from time to time, as such program may be applicable to such agency, organization or Person; (c) derives more than 15% of its assets or operating income from investments in or transactions with any such country, agency, organization or Person; or (d) will use the proceeds of any Loan to finance any operations, investments or activities in, or make any payments to, any such country, agency, organization, or Person.

ARTICLE VI.
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Company shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary to:

6.01 Financial Statements. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as practicable, but in any event on or prior to the date 90 days after the end of each fiscal year (or, if earlier, the date five days after the date by which the Company shall be required to submit its Form 10-K (or any successor form) to the Commission with respect to such fiscal year), (i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, such consolidated statements to be audited and accompanied by (i) a report and opinion of a Registered Public Accounting Firm of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and applicable Securities Laws and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit and such consolidating statements to be certified by a Responsible Officer of the Company to the effect that such statements are fairly stated in all material respects when considered in relation to the consolidated financial statements of the Company and its Subsidiaries and (ii) consolidating statements of income or operations for the Company and its Subsidiaries to the extent that such financial statements are prepared and distributed to the senior management of the Company with respect to such fiscal year; and

(b) as soon as practicable, but in any event on or prior to the date 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company (or, if earlier, the date five days after the date by which the Company shall be required to submit its Form 10-Q (or any successor form) to the Commission with respect to such fiscal quarter), (x) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations and cash flows for such fiscal quarter and for the portion of the Company's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail, such consolidated statements to be certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes and (y) consolidating statements of income or operations for the Company and its Subsidiaries to the extent that such financial statements are prepared and distributed to the senior management of the Company with respect to such fiscal quarter, such consolidating statements to be certified by a Responsible Officer of the Company to the effect that such statements are fairly

stated in all material respects when considered in relation to the consolidated financial statements of the Company and its Subsidiaries.

As to any information contained in materials furnished pursuant to Section 6.02(d), the Company shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Company to furnish the information and materials described in clauses (a) and (b) above at the times specified therein.

6.02 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Company;

(b) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Company by independent accountants in connection with the accounts or books of the Company or any Subsidiary, or any audit of any of them;

(c) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Company, and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(d) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or any Subsidiary thereof pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 6.01 or any other clause of this Section 6.02;

(e) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(f) in the event the Company or any Domestic Subsidiary shall (i) engage in any corporate reorganization, (ii) contribute to the capital of or otherwise make an Investment in any Subsidiary or (iii) consummate any Disposition of property described in Section 7.05(e), in each case other than in the ordinary course of business, which transaction shall result in Domestic Subsidiaries that are not Domestic Subsidiary Guarantors (x) the total assets of which, in the aggregate, exceed fifteen percent (15.0%) of the total assets of the Company and its Domestic Subsidiaries in the aggregate or (y) the EBITDA of which, in the aggregate for the most recent fiscal quarter, exceeds fifteen percent (15.0%) of the EBITDA of the Company and its Domestic Subsidiaries in the aggregate for such fiscal quarter, the Company shall, promptly and in any

event within thirty days of the consummation of such transaction, deliver to the Administrative Agent a supplement to Schedule 5.19 necessary to make the representation set forth in Section 5.19 true and correct as of the date of such supplement; and

(g) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Company's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Company shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Company shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(a) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Each Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arrangers will make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of such Borrower hereunder (collectively, " Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the " Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to any Borrower or its securities) (each, a " Public Lender"). Each Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, the Arrangers, the L/C Issuer and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrowers or their respective securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion

of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.03 Notices. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any ERISA Event;

(d) of any material change in accounting policies of, or financial reporting practices by, the Company or any Subsidiary;

(e) of the determination by the Registered Public Accounting Firm providing the opinion required under Section 6.01(a)(ii) (in connection with its preparation of such opinion) or the Company's determination at any time of the occurrence or existence of any Internal Control Event; and

(f) of any announcement by Moody's or S&P of any change or, to the extent a Responsible Officer of the Company has actual knowledge thereof, any possible change in a Debt Rating.

Each notice pursuant to this Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and, if appropriate, stating what action the Company has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations. Pay and discharge as the same shall become due and payable the following: (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness; unless, in the case of any matter described in clauses (a), (b), and (c) above, the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary.

6.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its

organization except in a transaction permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.07 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Company, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business and geographic area, of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons.

6.08 Compliance with Laws. (i) Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect and (ii) in the event the Initial Designated Borrower changes any of the characteristics of its business described in Section 5.21(a), comply with all applicable regulatory requirements (if any).

6.09 Books and Records. Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be.

6.10 Inspection Rights. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, the Company shall pay all costs and expenses of one such inspection per year (measured beginning with the Closing Date and each anniversary thereof) by the Administrative Agent and its representatives and independent contractors (and any representatives and independent contractors of the Lenders participating in such inspection); provided further, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

6.11 Use of Proceeds. Use the proceeds of the Credit Extensions for general corporate purposes, capital expenditures and Permitted Acquisitions, in each case not in contravention of any Law or of any Loan Document.

6.12 Approvals and Authorizations. Maintain all authorizations, consents, approvals and licenses from, exemptions of, and filings and registrations with, each Governmental Authority of the jurisdiction in which each Foreign Loan Party is organized and existing, and all approvals and consents of each other Person in such jurisdiction, in each case that are required in connection with the execution, delivery and performance by such Foreign Loan Party of the Loan Documents to which it is a party.

6.13 Amendments to Governing Documents. Promptly furnish to the Administrative Agent any material amendment, supplement or modification to any of such Person's Organization Documents permitted by Section 7.11.

6.14 Additional Domestic Subsidiary Guarantors.

(a) In addition to causing each Material Domestic Subsidiary as of the Closing Date to execute and deliver a Guaranty, each as required by Section 4.01(a), cause each Subsidiary that becomes a Material Domestic Subsidiary after the Closing Date, as promptly as possible, but in any event within ninety (90) days after submission to the Administrative Agent by the Company of a supplement to Schedule 5.19 as required by Section 6.02(f) or Section 7.04(c)(iv) which supplement indicates that such Domestic Subsidiary has become a Material Domestic Subsidiary, to (x) become a Domestic Subsidiary Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate in order for such Subsidiary to provide an unconditional guaranty of the Obligations of the Borrowers and (y) deliver to the Administrative Agent documents of the types referred to in clauses (iii), (iv) and (vii) of Section 4.01(a) and, if requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (x)), all in form, content and scope reasonably satisfactory to the Administrative Agent.

(b) If at any time any Subsidiary of the Company (including any Foreign Subsidiary) that is not a Domestic Subsidiary Guarantor provides any Guarantee with respect to any Indebtedness of the Company or any Domestic Designated Borrower other than the Obligations, cause such Subsidiary, as promptly as possible but in any event within sixty (60) days after the date upon which such Subsidiary shall have guaranteed such Indebtedness, to (x) become a Domestic Subsidiary Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate in order for such Subsidiary to provide an unconditional guaranty of the Obligations of the Borrowers and (y) deliver to the Administrative Agent documents of the types referred to in clauses (iii), (iv) and (vii) of Section 4.01(a) and, if requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and

enforceability of the documentation referred to in clause (x)), all in form, content and scope reasonably satisfactory to the Administrative Agent.

6.15 Foreign Subsidiary Guarantors. Cause each Foreign Subsidiary listed on Schedule 6.15, on or before the date sixty (60) days after the Closing Date or such later date as may be agreed to in writing by the Administrative Agent in its sole discretion, to (x) execute and deliver to the Administrative Agent a counterpart of the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate in order for such Subsidiary to provide an unconditional guaranty of the Obligations of each Foreign Designated Borrower and (y) deliver to the Administrative Agent documents of the types referred to in clauses (iii) and (iv) of Section 4.01(a) and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (x)), all in form, content and scope reasonably satisfactory to the Administrative Agent.

6.16 Further Assurances. Cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

ARTICLE VII.
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that (i) the property covered thereby is not changed in any material respect, (ii) the amount secured or benefited thereby is not increased except as contemplated by Section 7.03(b), and (iii) any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03;

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h) (including due to any such judgment having been stayed pending appeal) or securing appeal or other surety bonds related to such judgments;

(i) Liens securing Indebtedness permitted under Sections 7.03(f) and 7.03(g);

(j) Liens on any property owned by Watts Germany, any Subsidiary thereof or any German Subsidiary of which Watts Germany is a Subsidiary, in each case securing Indebtedness permitted by Section 7.03(e)(ii); and

(k) Liens securing Indebtedness permitted under Section 7.03(h); provided, that (i) if the grantor of such Liens is a Domestic Loan Party, the grantee of such Liens must be a Domestic Loan Party and (ii) if the grantor of such Liens is a Foreign Loan Party, the grantee of such Liens must be a Loan Party.

7.02 Investments. Make any Investments, except:

(a) existing Investments in Subsidiaries and other Investments in existence on the Closing Date and described in Schedule 7.02 and any renewal or extension of any such Investments that does not increase the amount of the Investment being renewed or extended as determined as of such date of renewal or extension;

(b) Investments held by the Company or such Subsidiary in the form of cash equivalents or short-term marketable debt securities;

(c) subject to the limitations set forth in Sarbanes-Oxley and all rules and regulations related thereto, (i) advances to officers, directors and employees of the Company and Subsidiaries for travel, entertainment, relocation and analogous ordinary business purposes and (ii) loans to employees of the Company pursuant to the terms of the Company's non-qualified stock option plan, secured by pledges of the Equity Interests of the Company owned by such employee; provided that the aggregate outstanding amount of such Investments permitted pursuant to this Section 7.02(c) shall not exceed $3,000,000 at any time;

(d) Investments from the Company to any Subsidiary or from any Subsidiary to the Company or any other Subsidiary;

(e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and

Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(f) Guarantees permitted by Section 7.03;

(g) Investments (other than Investments permitted pursuant to Section 7.02(a)) in or to joint ventures in lines of business that are the same or similar to the line of business in which the Company and its Subsidiaries are then engaged prior to such Investment; provided, that such Investments consisting of loans, advances, Guarantees or cash capital contributions shall not exceed $50,000,000 in the aggregate at any time outstanding; and

(h) Investments in Permitted Acquisitions;

provided, that the aggregate book value of all property subject to Specified JV/Intercompany Asset Transfers in any fiscal year, together with the book value of all property Disposed of in reliance on Section 7.05(i) during such fiscal year, shall not exceed 12.5% of Consolidated Total Assets as of the end of the preceding fiscal year.

7.03 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03, and any refinancings, refundings, renewals or extensions thereof; provided that (i) the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder and (ii) the terms relating to principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole, of any such refinancing, refunding, renewing or extending Indebtedness, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable in any material respect to the Loan Parties or the Lenders than the terms of any agreement or instrument governing the Indebtedness being refinanced, refunded, renewed or extended and the interest rate applicable to any such refinancing, refunding, renewing or extending Indebtedness does not exceed the then applicable market interest rate;

(c) obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view;" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(d) unsecured Indebtedness of the Company (including, without limitation, the Senior Notes);

(e) (i) unsecured Indebtedness of any Subsidiary of the Company and (ii) secured Indebtedness (including Attributable Indebtedness in respect of capital leases, Synthetic Lease Obligations and Permitted Receivables Purchase Facilities and Indebtedness in respect of purchase money obligations for fixed or capital assets) of Watts Germany and its Subsidiaries, in an aggregate outstanding principal amount not to exceed at any time 12.5% of Consolidated Total Assets as of the end of the preceding fiscal year;

(f) secured Indebtedness (including Attributable Indebtedness in respect of capital leases, Synthetic Lease Obligations and Permitted Receivables Purchase Facilities and Indebtedness in respect of purchase money obligations for fixed or capital assets) of the Company or any of its Subsidiaries (other than Watts Germany and its Subsidiaries) in an aggregate principal amount not to exceed $50,000,000 at any time outstanding;

(g) Attributable Indebtedness in respect of Permitted Receivables Purchase Facilities in an aggregate principal amount not to exceed $100,000,000 at any time outstanding;

(h) Indebtedness of (i) the Company owing to any Subsidiary thereof or (ii) any Subsidiary owing to the Company or any other Subsidiary; and

(i) Guarantees of (i) the Company in respect of Indebtedness otherwise permitted hereunder of any Subsidiary and (ii) subject to Section 6.14(b), any Subsidiary in respect of Indebtedness otherwise permitted hereunder of the Company or any other Subsidiary.

7.04 Fundamental Changes; Permitted Acquisitions. Merge, dissolve, liquidate, consolidate with or into another Person, Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, or agree to or effect any Acquisition except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may liquidate or dissolve voluntarily into, and may merge with and into (i) the Company, provided that the Company shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that (w) when any Domestic Designated Borrower is liquidating or dissolving into, or merging with and into, another Subsidiary, a Domestic Designated Borrower shall be the continuing or surviving Person, (x) when any Domestic Subsidiary Guarantor is liquidating or dissolving into, or merging with and into, another Subsidiary other than any Domestic Designated Borrower, a Domestic Subsidiary Guarantor shall be the continuing or surviving Person, (y) when any Foreign Designated Borrower is liquidating or dissolving into, or merging with and into, another Subsidiary other than any Domestic Loan Party, a Foreign Designated Borrower shall be the continuing or surviving Person and (z) when any Foreign Subsidiary Guarantor is liquidating or dissolving into, or merging with and into, another Subsidiary other than any Foreign Designated Borrower or any Domestic Loan Party, a Foreign Subsidiary Guarantor shall be the continuing or surviving Person;

(b) any Subsidiary (other than any Designated Borrower) may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary; provided that (i) if the transferor in such a transaction is a Domestic

Subsidiary Guarantor, then the transferee must be a Domestic Loan Party and (ii) if the transferor in such a transaction is a Foreign Subsidiary Guarantor, then the transferee must be a Loan Party;

(c) the Company or any Subsidiary may consummate any Acquisition with respect to which the following conditions are satisfied (a "Permitted Acquisition"):

(i) the Person to be acquired (the "Target") is not engaged in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto;

(ii) the board of directors and (if required by applicable law) the shareholders, or the equivalent thereof, of each of the Company or the applicable Subsidiary and of the Target has approved such Acquisition; provided, that, in the case of any Target that is a Public Company, such approval of the board of directors of the Target shall have been obtained prior to any tender offer or similar solicitation of the holders of voting securities of the Target and shall not have been withdrawn;

(iii) any Indebtedness directly or indirectly incurred or assumed in connection with such Acquisition shall have been permitted to be incurred or assumed pursuant to Section 7.03;

(iv) if the Purchase Price for such Acquisition is greater than or equal to $75,000,000, then concurrent with the consummation of such Acquisition, the Company shall have delivered to the Administrative Agent (A) a Compliance Certificate prepared on a Pro Forma Basis demonstrating that the Consolidated Leverage Ratio as of the end of the most recent fiscal quarter is not greater than 0.25x less than the maximum permitted Consolidated Leverage Ratio as of the end of such fiscal quarter pursuant to Section 7.13(c), (B) a supplement to Schedule 5.19 setting forth Domestic Subsidiaries of the Company necessary to make the representation and warranty set forth in Section 5.19 true and correct after giving effect to such Permitted Acquisition and (C) a certificate from the chief financial officer of the Company to the effect that (1) the Company and its Subsidiaries, on a consolidated and consolidating basis, will be solvent both before and after consummating such Acquisition and (2) no Default or Event of Default then exists or would result after giving effect to such Acquisition;

(v) in the case of an Acquisition by the Company or such Subsidiary of (i) Equity Interests of any Target organized under the laws of the United States or any State thereof, the Target shall become a direct or indirect wholly owned Subsidiary of the Company or (ii) any business or line of business of any Target, such business or line of business shall be acquired by a direct or indirect wholly owned subsidiary of the Company;

(vi) the business to be acquired would not subject the Administrative Agent or any Lender to regulatory or third party approvals in connection with the exercise of any of its rights and remedies under this Agreement or any other Loan Document;

(vii) no contingent obligations or liabilities will be incurred or assumed in connection with such acquisition which (x) are required to be described in the footnotes of the Company's financial statements in accordance with GAAP and (y) could reasonably be expected to have a Material Adverse Effect; and

(viii) the Consolidated Leverage Ratio immediately after giving effect to such Acquisition on a Pro Forma Basis shall not be greater than 0.25x less than the maximum permitted Consolidated Leverage Ratio as of the end of the most recent fiscal quarter pursuant to Section 7.13(c).

7.05 Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of Permitted Receivables pursuant to Permitted Receivables Purchase Facilities;

(d) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(e) Dispositions of property by (i) the Company to any Subsidiary or (ii) any Subsidiary to the Company or any other Subsidiary; provided, that the aggregate book value of all property subject to Specified JV/Intercompany Asset Transfers in any fiscal year, together with the book value of all property Disposed of in reliance on Section 7.05(i) during such fiscal year, shall not exceed 12.5% of Consolidated Total Assets as of the end of the preceding fiscal year;

(f) Dispositions permitted by Section 7.04;

(g) Dispositions by the Company and its Subsidiaries of property pursuant to sale-leaseback transactions; provided, that the book value of all property Disposed of in connection with such transactions from and after the Closing Date shall not exceed $25,000,000;

(h) licenses of IP Rights, which licenses shall not, in the case of any license resulting in annual payments to the Company or any Subsidiary in excess of 1% of total consolidated sales of the Company during any such year, have a term exceeding fifteen years; and

(i) Dispositions by the Company and its Subsidiaries not otherwise permitted under this Section 7.05; provided that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition and (ii) the aggregate book value of all property Disposed of in reliance on this clause (i) in any fiscal year, together with the book value of all property

subject to Specified JV/Intercompany Asset Transfers during such fiscal year, shall not exceed 12.5% of Consolidated Total Assets as of the end of the preceding fiscal year;

provided, however, that any Disposition pursuant to clauses (a) through (i) shall be for fair market value.

7.06 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so unless no Default shall have occurred and be continuing at the date of declaration or payment thereof or would result therefrom.

7.07 Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.08 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate; provided that any Loan Party may enter into transactions relating to any Permitted Receivables Purchase Facility.

7.09 Burdensome Agreements. Enter into or be subject to any Contractual Obligation (other than this Agreement or any other Loan Document or the Senior Note Documents) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to any Loan Party or to otherwise transfer property to any Loan Party, (ii) of any Material Domestic Subsidiary or any other Domestic Loan Party to Guarantee the Indebtedness of the Company or any Designated Borrower, (iii) of any Foreign Loan Party to Guarantee the Indebtedness of any Foreign Designated Borrower or (iv) of the Company or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that this clause (iv) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness in respect of capital leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets, in each case solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person; provided, that this Section 7.09 shall not apply to any Contractual Obligation binding solely on Watts Germany or any Subsidiary thereof.

7.10 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.11 Modification of Organization Documents. Consent to or agree to any amendment, supplement or other modification to the Organization Documents without the prior

written consent of the Administrative Agent unless such amendment, supplement or modification could not reasonably be expected to have a Material Adverse Effect.

7.12 Senior Note Documents. Amend, supplement or otherwise modify the terms of any of the Senior Note Documents unless such amendment, supplement or modification could not reasonably be expected to (i) have a Material Adverse Effect or (ii) have a material adverse effect on the rights and interests of the Administrative Agent and the Lenders under the Loan Documents.

7.13 Financial Covenants.

(a) **Consolidated Net Worth.** Permit Consolidated Net Worth at any time to be less than the sum of (i) $415,580,000, (ii) an amount equal to 50% of the Consolidated Net Income (excluding the impact of foreign currency translation adjustments) earned in each fiscal quarter beginning with the fiscal quarter ending April 2, 2006 (with no deduction for a net loss in any such fiscal quarter) and (iii) an amount equal to 100% of the aggregate increases in Shareholders' Equity of the Company and its Subsidiaries after the date hereof by reason of the issuance and sale of Equity Interests of the Company or any Subsidiary (other than issuances to the Company or a wholly-owned Subsidiary), including upon any conversion of debt securities of the Company into such Equity Interests.

(b) **Consolidated Interest Coverage Ratio.** Permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of the Company to be less than 3.50:1:00.

(c) **Consolidated Leverage Ratio.** Permit the Consolidated Leverage Ratio at the end of any fiscal quarter of the Company to be greater than (i) with respect to each fiscal quarter of the Company ending on or prior to December 31, 2006, 3.50:1.00 and (ii) with respect to each other fiscal quarter of the Company, 3.25:1:00.

7.14 Swap Contracts. Enter into any Swap Contract except for Swap Contracts that are (or were) entered into in the ordinary course of the Company's or such Subsidiary's business for the purpose of mitigating risks associated with liabilities, commitments, investments, assets, earnings or properties held or reasonably anticipated by the Company or such Subsidiary, as applicable, and not for purposes of speculation.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. Any Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, and in the currency required hereunder, any amount of principal of any Loan or any L/C Obligation or (ii) within five days after the same becomes due, any interest on any Loan or on any L/C Obligation, any fee due hereunder or any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 6.01, 6.02, 6.03, 6.05, 6.10, 6.11, 6.14 or 6.15 or Article VII; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Company or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith (i) with respect to any representations, warranties, certifications or statements that contain a materiality qualifier, shall be incorrect or misleading in any respect when made or deemed made and (ii) with respect to any representations, warranties, certifications or statements that do not contain a materiality qualifier, shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Company or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Company or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than the Threshold Amount; or (iii) there occurs any termination, liquidation, unwind or similar event or circumstance under any Permitted Receivables Purchase Facility, which permits any purchaser of receivables thereunder to cease purchasing such receivables or to apply all collections on previously purchased receivables thereunder to the repayment of such purchaser's interest in such previously purchased receivables (other than any such event or circumstance that arises solely as a result of a down-grading of the credit rating of any bank or financial institution not affiliated with the Company that provides liquidity, credit or other support in connection with such facility) and the Attributable Indebtedness in respect of such Permitted Receivables Purchase Facility is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property (or any Loan Party or any of its Subsidiaries takes any corporate action to authorize or effect any of the foregoing actions); or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 45 calendar days, or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 45 calendar days, or an order for relief is entered in any such proceeding (or any Loan Party or any of its Subsidiaries fails to contest in good faith any such appointment or proceeding); or

(g) Inability to Pay Debts; Attachment. (i) The Company or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) Judgments. There is entered against the Company or any Subsidiary (i) any one or more final judgments or orders for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any provision of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document; or

(k) Change of Control. There occurs any Change of Control.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers;

(c) require that the Borrowers Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself, the Lenders and the L/C Issuer all rights and remedies available to it, the Lenders and the L/C Issuer under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to any Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrowers to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds.

(a) After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02):

(i) Any amounts received on account of the Obligations (other than amounts received solely on account of the Obligations of the Foreign Loan Parties) shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuer (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuer (including fees and time charges for attorneys who may be employees of any Lender or the L/C Issuer) and amounts payable

under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, L/C Borrowings and other Obligations, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of (i) that portion of the Obligations constituting unpaid principal of the Loans and L/C Borrowings and (ii) that portion of the Obligations constituting Guaranteed Swap Obligations, ratably among the Lenders (and Affiliates thereof) and the L/C Issuer in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Company or as otherwise required by Law;

provided, that the Administrative Agent may, in its sole discretion, apply such amounts solely to the Obligations of the Domestic Loan Parties or the Foreign Loan Parties, as applicable in the order and manner described in subclauses First through Fifth of this clause (i) prior to application of any such amounts to any Obligations of the other Loan Parties; and

(ii) Any amounts received solely on account of the Obligations of the Foreign Loan Parties shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations of the Foreign Loan Parties constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations of the Foreign Loan Parties constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuer (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuer (including fees and time charges for attorneys who may be employees of any Lender or the L/C Issuer) and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations of the Foreign Loan Parties constituting accrued and unpaid Letter of Credit Fees and interest on the Loans made to Foreign Designated Borrowers, L/C Borrowings of Foreign Designated Borrowers and other Obligations of the Foreign Loan Parties, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of (i) that portion of the Obligations of the Foreign Loan Parties constituting unpaid principal of the Loans made to Foreign Designated Borrowers and L/C Borrowings of Foreign Designated Borrowers and (ii) that portion of the Obligations constituting Guaranteed Swap Obligations of the Foreign Loan Parties, ratably among the Lenders (and Affiliates thereof) and the L/C Issuer in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations of the Foreign Designated Borrowers comprised of the aggregate undrawn amount of Letters of Credit issued at the request of the Foreign Designated Borrowers; and

Last, the balance, if any, after all of the Obligations of the Foreign Loan Parties have been indefeasibly paid in full, to the applicable Foreign Loan Party or as otherwise required by Law.

(b) Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to subclause Fifth of either clause (i) or (ii) of Section 8.03(a) shall be applied to satisfy drawings under the applicable Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all such Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in accordance with Section 8.03(a).

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 Appointment and Authority. Each of the Lenders and the L/C Issuer hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuer, and no Borrower shall have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any of the Borrowers or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Company, a Lender or the L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise

authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuer and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Company and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section 9.06. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 9.06). The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company

and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Bank of America as Administrative Agent pursuant to this Section 9.06 shall also constitute its resignation as L/C Issuer and Swing Line Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer and Swing Line Lender, (b) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Book Managers, Arrangers, Syndication Agent or Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the L/C Issuer hereunder.

9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer and the Administrative Agent and their

respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under Sections 2.03(i) and (j), 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or the L/C Issuer in any such proceeding.

9.10 Guaranty Matters. The Lenders and the L/C Issuer irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Subsidiary Guarantor from its obligations under the Guaranty Agreement if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder or ceases to constitute a Material Domestic Subsidiary pursuant to Section 2.15. The Lenders and the L/C Issuer hereby irrevocably authorize the Administrative Agent to, and the Administrative Agent shall, release Watts Premier, Inc., an Arizona corporation, Watts Radiant, Inc., a Delaware corporation, and each Foreign Subsidiary party thereto from their respective obligations under the Guaranty Agreement on the Closing Date. Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Subsidiary Guarantor from its obligations under a Guaranty pursuant to this Section 9.10.

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Company or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) or reduce the Commitment of any Lender pursuant to Section 2.06 other than in accordance with its pro rata share of the related reduction of the Aggregate Commitment, in any case without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iv) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of any Borrower to pay interest or Letter of Credit Fees at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(e) change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of Article II or the definition of "Applicable Percentage" or any other provision hereof in manner that would cause any Lender to be obligated to make any Committed Loan or participate in any Letter of Credit or Swing Line Loan, in any case other than in accordance with its pro rata share of the Aggregate Commitment, without the written consent of such Lender;

(g) change any provision of this Section 10.01 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(h) release (i) any Borrower from the Guaranties or (ii) all or substantially all of the value of the Guaranties of the Subsidiary Guarantors, in each case without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required

above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) any Fee Letter may be amended, or rights or privileges

thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrowers, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to Article II if such Lender or the L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at

its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Borrower, any Lender, the L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of any Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to any Borrower, any Lender, the L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrowers, the Administrative Agent, the L/C Issuer and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Company, the Administrative Agent, the L/C Issuer and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent, L/C Issuer and Lenders . The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of any Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify the Administrative Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of any Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the L/C Issuer) , and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or the L/C Issuer , in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 10.04, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Company. The Company shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, settlement costs and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee) , and shall indemnify and hold harmless each Indemnitee from all reasonable fees and time charges and disbursements for attorneys who may be employees of any Indemnitee , incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries,

or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company or any other Loan Party, and regardless of whether any Indemnitee is a party thereto , in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee ; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Company or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Company or such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Company for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section 10.04 to be paid by it to the Administrative Agent (or any sub-agent thereof), the L/C Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or L/C Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Borrower shall assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section 10.04 shall be payable not later than fifteen Business Days after demand therefor.

(f) Survival. The agreements in this Section 10.04 shall survive the resignation of the Administrative Agent and the L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of any Borrower is made to the Administrative Agent, the L/C Issuer or any Lender, or the Administrative Agent, the L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Overnight Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders and the L/C Issuer under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section 10.06, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section 10.06, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section 10.06 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section 10.06 and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section 10.06, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section 10.06 and, in addition:

(A) the consent of the Company (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender;

(C) the consent of the L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount, if any, required as set forth in Schedule 10.06; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Company. No such assignment shall be made to the Company or any of the Company's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Euro Loans. The assignee shall be a Lender, an Affiliate of a Lender or another Person that, through its Lending Offices, is capable of lending Euros to the relevant Borrowers without the imposition of any Taxes or additional Taxes, as the case may be.

(viii) Representation By New Lender. If on the date of any such assignment it is a requirement of Dutch law that each Lender must be a PMP, then (A) the assignee Lender must represent and warrant to the Initial Designated Borrower on the effective date of its purchase of a Commitment that (1) it is a PMP, (2) it is aware that it does not benefit from the protection offered by the Dutch Banking Act to Lenders which are not PMPs, and (3) it has made its own independent appraisal of risks arising under or in connection with this Agreement and the other Loan Documents and (B) the consent of the Initial Designated Borrower (not to be unreasonably withheld or delayed) shall be required for any such sale, assignment or transfer; provided, that if (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund, then (I) the Initial Designated Borrower's consent can only be withheld or delayed if the proposed assignee Lender is not a PMP or the Initial Designated Borrower has reasonable grounds to believe that it is not a PMP and (II) the Initial Designated Borrower will be deemed to have given its consent five (5) Business Days after the receipt by the Initial Designated Borrower and the Company of a written request by a Lender for such consent, unless such consent is expressly refused in writing by the Initial Designated Borrower in accordance with the terms of this Agreement within that time. Each Lender acknowledges that the Initial Designated Borrower has relied upon such representation and warranty.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section 10.06, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a

Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, each Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section 10.06.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries) (each, a " Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section 10.06, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section 10.06. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitation upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note(s), if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Resignation as L/C Issuer or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, (i) upon 30 days' notice to the Company and the Lenders, resign as L/C Issuer and/or (ii) upon 30 days' notice to the Company, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Company shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Company to appoint any such successor shall affect the resignation of Bank of America as L/C Issuer or Swing Line Lender, as the case may be. If Bank of America resigns as L/C Issuer, it shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c). Upon the appointment of a successor L/C Issuer and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as the case may be, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory

to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the Lenders and the L/C Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.07, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to a Borrower and its obligations, (g) with the consent of the Company or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.07 or (y) becomes available to the Administrative Agent, any Lender, the L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Company.

For purposes of this Section 10.07, "Information" means all information received from the Company or any Subsidiary relating to the Company or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the L/C Issuer on a nonconfidential basis prior to disclosure by the Company or any Subsidiary, provided that, in the case of information received from the Company or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.07 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the L/C Issuer acknowledges that (a) the Information may include material non-public information concerning the Company or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever

currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or the L/C Issuer, irrespective of whether or not such Lender or the L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Borrower may be contingent or unmatured or are owed to a branch or office of such Lender or the L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section 10.08 are in addition to other rights and remedies (including other rights of setoff) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Company and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the " Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or

any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04 or provides notice under Section 3.02, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Company shall have paid (or caused a Designated Subsidiary to pay) to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company or applicable Designated Subsidiary (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK, NEW YORK AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION 10.14. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF

LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THISSECTION 10.15.

10.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, each Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) is an arm's-length commercial transaction between the Borrowers and their respective Affiliates, on the one hand, and the Administrative Agent and the Arrangers, on the other hand, and the Borrowers are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the Administrative Agent and each Arranger is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for any of the Borrowers or any of their respective Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Administrative Agent nor any Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of any Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or any Arranger has advised or is currently advising any of the Borrowers or their respective Affiliates on other matters) and neither the Administrative Agent nor any Arranger has any obligation to any of the Borrowers or their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Administrative Agent and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers and their respective Affiliates, and neither the Administrative Agent nor any Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Administrative Agent and the Arrangers have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and each Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each Borrower hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and the Arrangers with respect to any breach or alleged breach of agency or fiduciary duty. Nothing in this Section 10.16 shall modify any obligation of any Person under Section 10.07.

10.17 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name

and address of each Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Borrower in accordance with the Act.

10.18 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of each Borrower in respect of any such sum due from it to the Administrative Agent or the Lenders hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from any Borrower in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to such Borrower (or to any other Person who may be entitled thereto under applicable law).

ARTICLE XI.
NO NOVATION; REFERENCES TO THIS AGREEMENT IN LOAN DOCUMENTS

11.01 No Novation. It is the express intent of the parties hereto that this Agreement (i) shall re-evidence the Borrowers' indebtedness under the Existing Credit Agreement, (ii) is entered into in substitution for, and not in payment of, the obligations of the Borrowers under the Existing Credit Agreement, and (iii) is in no way intended to constitute a novation of any of the Borrowers' indebtedness which was evidenced by the Existing Credit Agreement or any of the other Loan Documents. All Loans made and Obligations incurred under the Existing Credit Agreement which are outstanding on the Closing Date shall continue as Loans and Obligations under (and shall be governed by the terms of) this Agreement. Without limiting the foregoing, upon the effectiveness hereof: (a) all letters of credit issued (or deemed issued) under the Existing Credit Agreement which remain outstanding on the Closing Date shall continue as Letters of Credit issued under (and shall be governed by the terms of) this Agreement, (b) all Obligations constituting Guaranteed Swap Obligations with any Lender or any Affiliate of any Lender which are outstanding on the Closing Date shall continue as Obligations under this Agreement and the other Loan Documents and (c) the Agent shall make such reallocations of each Lender's share of the outstanding Loans under the Existing Credit Agreement as are necessary in order that each such Lender's share of the outstanding Loans hereunder reflects such Lender's ratable share of the Aggregate Commitments hereunder. On the Closing Date, the Borrowers shall pay to the Agent for the ratable account of the Lenders then party to the Existing Credit Agreement, (i) accrued and unpaid facility and utilization fees under the Existing Credit

Agreement through the Closing Date, (ii) accrued and unpaid interest on Base Rate Loans under (and as defined in) the Existing Credit Agreement through the Closing Date and (iii) any amounts due to such Lenders on the Closing Date pursuant to Section 3.05 of the Existing Credit Agreement.

11.02 References to This Agreement In Loan Documents. Upon the effectiveness of this Agreement, on and after the date hereof, each reference in any other Loan Document to the Existing Credit Agreement (including any reference therein to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring thereto) shall mean and be a reference to this Agreement.

Remainder of page intentionally left blank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WATTS WATER TECHNOLOGIES, INC.

By: /s/ William C. McCartney
Name: William C. McCartney
Title: Chief Financial Officer

WATTS INDUSTRIES EUROPE B.V.

By: /s/ Johan van Kouterik
Name: J. van Kouterik
Title: CFO Vice President

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ David A. Johnson
Name: David A. Johnson
Title: Vice President

BANK OF AMERICA, N.A.,
as a Lender, an L/C Issuer and Swing Line Lender

By: /s/ Jonathan M. Phillips
Name: Jonathan M. Phillips
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as Syndication Agent and a Lender

By: /s/ Peter M. Killea
Name: Peter M. Killea
Title: Vice President

KEYBANK NATIONAL ASSOCIATION,
as a Documentation Agent and a Lender

By: /s/ Thomas J. Purcell
Name: Thomas J. Purcell
Title: Senior Vice President

SUNTRUST BANK,
as a Documentation Agent and a Lender

By: /s/ Robert W. Maddox
Name: Robert W. Maddox
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Documentation Agent and a Lender

By: /s/ Patrick D. Finn
Name: Patrick D. Finn
Title: Managing Director

CALYON NEW YORK BRANCH,
as a Lender

By: /s/ James Gibson
Name: James Gibson
Title: Managing Director

By: /s/ Philip Schubert
Name: Philip Schubert
Title: Director

Signature Page to
Amended and Restated Credit Agreement

CITIZENS BANK OF MASSACHUSETTS,
as a Lender

By: /s/ Daniel Bernard
Name: Daniel Bernard
Title: Senior Vice President

LASALLE BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Gary A. Pirini
Name: Gary A. Pirini
Title: S.V.P.

Signature Page to
Amended and Restated Credit Agreement

HSBC BANK USA, N.A., as a Lender

By: /s/ Manuel Burgueno
Name: Manuel Burgueno
Title: Vice President

BROWN BROTHERS HARRIMAN & CO.,
as a Lender

By: /s/ John D. Rogers
Name: John D. Rogers
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Derek D. Brust
Name: Derek D. Brust
Title: Senior Vice President

Signature Page to
Amended and Restated Credit Agreement

SCHEDULE 2.01

COMMITMENTS
AND APPLICABLE PERCENTAGES

Lender		Commitment	Applicable Percentage
Bank of America, N.A.	$	40,000,000.00000000	11.428571429%
JPMorgan Chase Bank, N.A.	$	40,000,000.00000000	11.428571429%
KeyBank National Association	$	36,666,666.66666660	10.476190476%
SunTrust Bank	$	36,666,666.66666660	10.476190476%
Wachovia Bank, National Association	$	36,666,666.66666660	10.476190476%
Calyon New York Branch	$	35,000,000.00000000	10.000000000%
Citizens Bank of Massachusetts	$	35,000,000.00000000	10.000000000%
LaSalle Bank National Association	$	35,000,000.00000000	10.000000000%
HSBC Bank USA, N.A.	$	30,000,000.00000000	8.571428571%
Brown Brothers Harriman & Co.	$	15,000,000.00000000	4.285714286%
Wells Fargo Bank, National Association	$	10,000,000.00000000	2.857142857%
Total	**$**	**350,000,000**	**100.000000000%**

Schedule 5.06

Litigation

James Jones Litigation

On June 25, 1997, Nora Armenta (the "Relator") filed a civil action in the California Superior Court for Los Angeles County (the "Armenta case") against James Jones Company ("James Jones"), Mueller Co., Tyco International (U.S.), and the Company. We formerly owned James Jones. The Relator filed under the qui tam provision of the California state False Claims Act, Cal. Govt. Code § 12650 et seq. (the "California False Claims Act") and generally alleged that James Jones and the other defendants violated this statute by delivering some "defective" or "non-conforming" waterworks parts to thirty-four municipal water systems in the State of California. The Relator filed a First Amended Complaint in November 1998 and a Second Amended Complaint in December 2000, which brought the total number of plaintiffs to 161. In June, 2002, the trial court excluded 47 cities from this total of 161, and the Relator was not able to obtain appellate modification of this order, which can still be appealed at the end of the case. To date, 11 of the named cities have intervened, and attempts by four other named cities to intervene have been denied.

One of the allegations in the Second Amended Complaint and the Complaints-in-Intervention is that purchased non-conforming James Jones waterworks parts may leach into public drinking water elevated amounts of lead that may create a public health risk because they were made out of '81 bronze alloy (UNS No. C8440) and contain more lead than the specified and advertised '85 bronze alloy (UNS No. C83600). This contention is based on the average difference of about 2% lead content between '81 bronze (6% to 8% lead) and '85 bronze (4% to 6% lead) and the assumption that this would mean increased consumable lead in public drinking water that could cause a public health concern. We believe the evidence and discovery available to date indicates that this is not the case.

In addition, '81 bronze is used extensively in municipal and home plumbing systems and is approved by municipal, local and national codes. The Federal Environmental Protection Agency also defines metal for pipe fittings with no more than 8% lead as "lead free" under Section 1417 of the Federal Safe Drinking Water Act.

In this case, the Relator seeks three times an unspecified amount of actual damages and alleges that the municipalities have suffered hundreds of millions of dollars in damages. She also seeks civil penalties of $10,000 for each false claim and alleges that defendants are responsible for tens of thousands of false claims. Finally, the Relator requests an award of costs of this action, including attorneys' fees.

In December 1998, the Los Angeles Department of Water and Power intervened in this case and filed a complaint. We settled with the city of Los Angeles, by far the most significant city, for $7.3 million plus attorneys' fees. Co-defendants contributed $2.0 million toward this settlement.

In August 2003, an additional settlement payment was made for $13 million ($11 million from us and $2 million from James Jones), which settled the claims of the three Phase I cities (Santa Monica, San Francisco and East Bay Municipal Utility District) chosen by the Relator as having the strongest claims to be tried first. This settlement payment included the Relator's statutory share, and the claims of these three cities have been dismissed. In addition to this $13 million payment, we are obligated to pay the Relator's attorney's fees.

After the Phase I settlement, the court permitted the defendants to select five additional cities to serve as the plaintiffs in a second trial phase of the case. Contra Costa, Corona, Santa Ana, Santa Cruz and Vallejo were chosen. The Company and James Jones then reached an agreement to settle the claims of the City of Santa Ana for a total of $45,000, an amount which approximates Santa Ana's purchases of James Jones products during the relevant period. The Santa Ana settlement was approved by the Court and then completed.

On June 22, 2005, the court dismissed the claims of the remaining Phase II cities (Contra Costa, Corona, Santa Cruz and Vallejo). The court ruled that the Relator and these cities were required to show that the cities had received out of spec parts which were related to specific invoices and that this showing had not been made. Although each city's claim is unique, this ruling is significant for the claims of the remaining cities, and the Relator has appealed. Litigation is inherently uncertain, and we are unable to predict the outcome of this appeal.

On September 15, 2004, the Relator's attorneys filed a new common law fraud lawsuit in the California Superior Court for the City of Banning and forty-five other cities and water districts against James Jones, the Company and Mueller Co. based on the same transactions alleged in the Armenta case. About thirty-four of the plaintiffs in this new lawsuit are also plaintiffs in the Armenta case. On January 4, 2006, the court denied much of the defendants' demurrer, which had been filed on claim-splitting and statute of limitations grounds. Litigation is inherently uncertain, and we are unable to predict the outcome of this new lawsuit.

We have a reserve of approximately $21.0 million with respect to the James Jones Litigation in our consolidated balance sheet as of December 31, 2005. We believe, on the basis of all available information, that this reserve is adequate to cover the probable and reasonably estimable losses resulting from the Armenta case and the insurance coverage litigation with Zurich American Insurance Company ("Zurich") discussed below. We are currently unable to make an estimate of the range of any additional losses.

On February 14, 2001, after our insurers had denied coverage for the claims in the Armenta case, we filed a complaint for coverage against our insurers in the California Superior Court (the "coverage case"). James Jones filed a similar complaint, the cases were consolidated, and the trial court made summary adjudication rulings that Zurich must pay all reasonable defense costs incurred by us and James Jones in the Armenta case since April 23, 1998 as well as such future defense costs until the end of the Armenta case. In July 2004, the California Court of Appeal affirmed these rulings, and, on December 1, 2004, the California Supreme Court denied Zurich's appeal of this decision. This denial permanently established Zurich's obligation to pay Armenta defense costs for both us (approximately $16.9 million plus future costs) and James Jones (which we estimate to be $17.3 million plus future costs), and Zurich is currently making

payments of incurred Armenta defense costs. However, as noted below, Zurich asserts that the defense costs paid by it are subject to reimbursement.

In 2002, the trial court made a summary adjudication ruling that Zurich must indemnify and pay us and James Jones for amounts paid to settle with the City of Los Angeles. Zurich's attempt to obtain appellate review of this order was denied, but Zurich will still be able to appeal this order at the end of the coverage case. In 2004, the trial court made another summary adjudication ruling that Zurich must indemnify and pay us and James Jones for the $13 million paid to settle the claims of the Phase I cities described above. Zurich's attempt to obtain appellate review of this ruling was denied on December 3, 2004 by the California Court of Appeal, but Zurich will still be able to appeal this order at the end of the coverage case. Although Zurich has now made most of the payments required by these indemnity orders, we are currently unable to predict the finality of these orders since Zurich can appeal them at the end of the coverage case. We have recorded reimbursed indemnity settlement amounts (but not reimbursed defense costs) as a liability pending court resolution of the indemnification matter as it relates to Zurich.

Zurich has asserted that all amounts (which we estimate to be $51 million for both defense costs and indemnity amounts paid for settlements) paid by it to us and James Jones are subject to reimbursement under Deductible Agreements related to the insurance policies between Zurich and the Company. If Zurich were to prevail on this argument, James Jones would have a possible indemnity claim against us for its exposure from the Armenta case. We believe the Armenta case should be viewed as one occurrence and the deductible amount should be $0.5 million per occurrence.

These reimbursement claims are subject to arbitration under the Deductible Agreements between the Company and Zurich. Zurich claims its reimbursement right for defense costs paid arises under six Deductible Agreements, and we contend that only two Deductible Agreements apply. We further contend that a final decision in California supports our position on the number of Deductible Agreements that should apply to defense costs. On January 31, 2006, the federal district court in Chicago, Illinois determined that there are disputes under all Deductible Agreements in effect during the period in which Zurich issued primary policies and that the arbitrator could decide which agreements would control reimbursement claims. We have appealed this ruling.

Asbestos Litigation

We are defending approximately 121 cases filed primarily, but not exclusively, in Mississippi and New Jersey state courts alleging injury or death as a result of exposure to asbestos. These filings typically name multiple defendants and are filed on behalf of many plaintiffs. They do not identify any particular products of the Company as a source of asbestos exposure. To date, we have been dismissed from each case when the scheduled trial date comes near or when discovery fails to yield any evidence of exposure to any of the Company's products.

Schedule 5.09

ARTICLE XII.Environmental Compliance

Jameco Industries, Wyandanch, NY

The Company is subject to potential environmental liability with respect to a site in Wyandanch, NY formerly used by Jameco Industries, Inc. ("Jameco"). The site was first developed by Jamaica Manufacturing Company, Inc. (the predecessor to Jameco) in 1964. Jameco used the site to manufacture plumbing fixtures, which involved plating parts with chrome and nickel. Prior to 1975, plating waste was treated and discharged to two unlined seepage lagoons located in the rear of the facility. The lagoons were periodically allowed to dry, followed by off-site sludge removal. A third lagoon was used for overflow. After 1975, plating waste was dewatered and the effluent discharged into a set of 48 leaching pools, located in the rear yard, and the sludge was disposed of off-site. The original sludge lagoons were closed (backfilled with on-site soil) sometime after 1975. The wastewater treatment system was removed from the site when Jameco vacated the property in 1998. The wastes generated from these processes contained heavy metals, cyanide, VOC's, sulfates, and other materials.

The site was purchased by the Company on July 7, 1994. Plating operations were moved to another facility in 1998, and the facility was sold to Linzer Products, Inc. ("Linzer"), in 1999.

Soil and groundwater contamination currently exist at the site. At least four releases have contributed to the site contamination.

As a result of the negotiations for the development of the final version of the Proposed Remedial Action Plan ("PRAP"), imposed by New York State Department of Environmental Conservation's ("NYSDEC") March 2003 Record of Decision ("ROD"), an additional study was added to conduct a feasibility investigation and assessment. The purpose of the additional feasibility investigation and assessment was to collect more current data, regarding soil and groundwater conditions. NYSDEC now believes that the required remediation is more than we proposed, but less than what NYSDEC initially planned to require. The results of the feasibility assessment will now be used as a basis to propose for public approval modifications to the PRAP that will reduce the cost of remediation.

NYSDEC's initial cost estimate for implementing the remediation described in the PRAP was $843,000 for excavation and disposal of contaminated soil and $91,000 per year over 5 years for extraction, treatment, and monitoring of groundwater, for a total cost of $1.3 million. A significant portion of the soil removal outlined in the initial PRAP involved excavation beneath and within the footprint of the building, which could interrupt the business of the building's occupants (Linzer). The NYSDEC's initial cost estimate did not include costs associated with business interruption for the current occupants.

The feasibility and investigation study has been completed, and the data indicates that contamination levels have decreased since the initial studies, due to natural attenuation. The

feasibility and investigation report submitted to NYSDEC in May 2004 recommends a reduction of the remedial activities outlined in the ROD.

Linzer has stated that it wants more cleanup work done than the Company has proposed in the report, and it has raised the issue of receiving reimbursement for costs, including lost property value. The Purchase and Sales Agreement and the Site Access Agreement between the Company and Linzer were reviewed to determine the scope of Linzer's potential claims. In the Agreements, Linzer accepted the property "as is," agreed not to communicate with NYSDEC about increasing the scope of the remediation, and released the Company to some extent from business interruption and property damage claims. However, Linzer may be able to claim that the remediation work and deed restrictions the Company will need to place on the property exceed the scope provided in the Agreements. The strength of Linzer's claims cannot be measured well until we determine what will be required of the Company.

The Company has received a written decision from NYSDEC concerning the results of the additional feasibility and investigation study, and NYSDEC agrees that less remediation is required. NYSDEC considers the changes fundamental, requiring the ROD to be amended to address the alternative remedies. Because of this, a second public hearing will be required. The alternative remedies eliminate the requirement to excavate soil under the building's foundation and adjacent to the building, in favor of in-situ treatment. In-situ treatment involves drilling holes in the building's foundation and adjacent soil, followed by injecting chemicals that will fix or destroy contaminants. This approach will reduce remediation costs and limit business interruption.

An environmental consulting firm has completed a remedial design plan for the project. Final remediation costs will not be determined until after contractors have been selected through the bidding process. Project costs could be affected if Linzer continues to make demands for reimbursement of its costs or payment for the deed restrictions.

To date, NYSDEC still has not issued the amended ROD. At this pace, remedial activity likely will not begin until the second quarter of 2006 at the earliest and the project may not be completed in 2006.

Babylon Landfill Site, NY

The New York Attorney General ("NYAG") has threatened for several years to bring suit against 16 potentially responsible parties ("PRPs") including the Company as successor to Jameco for incurred remediation costs, and for operation and maintenance costs to be incurred associated with the cleanup of a landfill site in Babylon, Long Island. The NYAG has identified recovery numbers between $19 million and $24 million.

Members of the Babylon Landfill Joint Defense Group (of which the Company is a member) have conducted a preliminary review of the Town of Babylon's landfill records for the purpose of identifying additional PRPs. The town's records include information regarding volumes of waste sent to the landfill and identify entities sending waste to the landfill. Based on

this information, the Babylon Landfill Joint Defense Group hopes to identify and persuade additional PRPs to join the Babylon Landfill Joint Defense Group.

The members of the Babylon Landfill Joint Defense Group plan to initiate an Alternative Dispute Resolution ("ADR") process involving the current members of the Babylon Landfill Joint Defense Group and those other PRPs that can be persuaded to participate in such a process. The goal of the ADR process would be to raise sufficient funds to settle the State's claims against the participating parties, and to allocate the resulting settlement equitably among the PRP group members.

As of April 1, 2005, the Babylon Landfill Joint Defense Group has been unable to obtain commitments to participate in an allocation process from any additional PRPs. NYAG has sent formal information requests to approximately 50 of those PRPs identified in the Babylon Landfill Joint Defense Group's review of the Town of Babylon's landfill records in order to provide the PRPs with an impetus to participate in an allocation process. NYAG reports that it has received several responses, but some PRPs have raised objections to the requests, and one has filed a petition challenging NYAG's authority to issue the requests. The Babylon Landfill Joint Defense Group has rejected an offer from 10 to 12 new PRPs to settle their liability for $5,000 each.

On August 15, 2005, the Company executed the Eighth Further Extended Tolling Agreement with the State of New York. The purpose of the tolling period is to allow the Babylon Landfill Joint Defense Group additional time to obtain commitments from additional PRPs to conduct an allocation process. To date, the Babylon Landfill Joint Defense Group has been unable to obtain such commitments. NYAG has committed to conducting research regarding state law claims against recalcitrant PRPs that may serve as motivation for those parties to commit to an allocation process. Although many variables have yet to be determined including the final number of PRPs and final allocation of costs, the Company will be a participating PRP at this site.

Schedule 5.13

ARTICLE XIII.Subsidiaries; Equity Interests

(a) North America

Name of Subsidiary	Jurisdiction of Organization	Direct Parent(s)	Percentage Ownership
Watts Regulator Co.	MA	Watts Water Technologies, Inc.	100%
Watts Drainage Products, Inc.	DE	Watts Regulator Co.	100%
Anderson-Barrows Metals Corporation	CA	Watts Regulator Co.	100%
Webster Valve, Inc.	NH	Watts Regulator Co.	100%
Watts Spacemaker, Inc.	CA	Watts Regulator Co.	100%
Watts Radiant, Inc.	DE	Watts Regulator Co.	100%
Watts Distribution Company, Inc.	DE	Watts Regulator Co.	100%
Watts Premier, Inc.	AZ	Watts Regulator Co.	100%
Hunter Innovations, Inc.	CA	Watts Regulator Co.	100%
Flowmatic Systems, Inc.	DE	Watts Regulator Co.	100%
Orion Enterprises, Inc.	KS	Watts Regulator Co.	100%
Watts Sea Tech, Inc. (d.b.a Sea Tech, Inc.)	DE	Watts Regulator Co.	100%
HF Scientific, Inc.	FL	Watts Regulator Co.	100%
Core Industries Inc. (d.b.a. FEBCO, Mueller Steam Specialty & POLYJET Valves)	NV	Watts Regulator Co.	100%
Dormont Manufacturing Company	PA	Watts Regulator Co.	100%
Watts Industries (Canada) Inc.	Canada	Watts Water Technologies, Inc.	100%

(b) Europe & Africa

Name of Subsidiary	Jurisdiction of Organization	Direct Parent(s)	Percentage Ownership(1)
Watts Industries Europe BV	Netherlands	Watts Regulator Co.	100%
Watts Intermes GmbH	Austria	Watts Industries Netherlands BV	99%
		Watts Intermes AG	1%
Watts Industries Belgium Bvba (formerly Watts Ocean NV)	Belgium	Watts Industries Europe BV	100%
Watts Belgium Holding Bvba	Belgium	Watts Industries Europe BV	100%
Watts MTB EAD	Bulgaria	Watts Industries Europe BV	100%
Watts Industries France SAS (formerly Watts Eurotherm SAS)	France	Watts Industries Europe BV	100%
Watts Electronics SAS	France	Watts Industries France SAS	100%
Watts Industries Deutschland GmbH	Germany	Watts Germany Holding GmbH	100%
Watts Germany Holding GmbH	Germany	Watts Industries Europe BV	100%
Watts Instrumentation GmbH	Germany	Watts Germany Holding GmbH	100%
Watts Italy Holding S.r.l.	Italy	Watts Industries Europe BV	100%
Watts Londa SpA	Italy	Watts Italy Holding S.r.l.	100%
Watts Intermes S.r.l.	Italy	Watts Italy Holding S.r.l.	100%
Watts Industries Italia S.r.l. (formerly Watts Cazzaniga S.p.A.)	Italy	Watts Italy Holding S.r.l.	100%
Stern Rubinetti S.r.l.	Italy	Watts Italy Holding S.r.l.	85%
		Mario Boifava	10%
		Rosalina Aiardi	3%
		Paola Boifava	2%
Philabel BV	Netherlands	Watts Europe Services BV	100%

Watts Industries Netherlands BV (formerly Watts Ocean BV)	Netherlands	Watts Industries Europe BV	100%
Anderson-Barrows Benelux BV	Netherlands	Watts Industries Netherlands BV	100%
Watts Europe Services BV	Netherlands	Watts Industries Europe BV	100%
Watts Industries, Sp. Z.o.o	Poland	Watts Industries Europe BV	100%
Watts Ind. Iberica SA	Spain	Watts Industries Europe BV	100%
Watts Sweden Holding AB	Sweden	Watts Industries Europe BV	100%
Watts Industries Nordic AB	Sweden	Watts Sweden Holding AB	100%
Watts Intermes AG	Switzerland	Watts Industries Europe BV	100%
Watts Industries Tunisia SAS	Tunisia	Watts Electronics SAS	100%
Watts Industries U.K. Ltd.	United Kingdom	Watts Industries Europe BV	100%
TEAM Precision Pipework, Ltd.	United Kingdom	Watts Industries Europe BV Tony Salini	90% 10%
Giuliani Anello S.r.l.	Italy	Watts Italy Holding S.r.l.	100%
Electro Controls Ltd.	United Kingdom	Hosta Investments Ltd.	100%
Hosta Investments Ltd.	United Kingdom	Watts Industries Europe BV	100%
Watts Microflex NV	Belgium	Watts Belgium Holding BvbA	100%
Watts U.K. Ltd.	United Kingdom	Watts Industries Europe BV	100%

(c) China

Name of Subsidiary	Jurisdiction of Organization	Direct Parent(s)	Percentage Ownership(1)
Tianjin Tanggu Watts Valve Co., Ltd.	China	Watts Regulator Co. Tianjin Mechanical Electronical Holding Co., Ltd.	60% 35%

		Tianjin Tanggu Valve Co., Ltd.	5%
Watts Plumbing Technologies (Taizhou) Co. Ltd. (f/k/a Taizhou Shida Plumbing Manufacturing Co. Ltd.)	China	Watts Regulator Co.	100%
Tianjin Watts Valve Company	China	Watts Regulator Co.	100%
Watts Valve (Taizhou) Co., Ltd.	China	Watts Regulator Co.	100%
Watts Valve (Changsha) Co., Ltd.	China	Watts Regulator Co.	100%

(1) Certain non-U.S. subsidiaries may have outstanding director qualifying shares as required by local law.

Schedule 5.17

Intellectual Property; Licenses, Etc.

On March 29, 2002, Magrl, LLC and Lawler Manufacturing Co. Inc. filed a patent infringement claim against the Company and Crane Company in U.S. District Court for the Southern District of Indiana, Indianapolis Division, related to products manufactured by the Powers Process Controls business acquired by the Company from Crane Co. in September 2001 (Magrl, LLC and Lawler Manufacturing Co. Inc. v. Crane Co. and Mark Controls Corporation, both d/b/a Powers Process Controls and Watts Industries, Inc. (Civ. Act. IP02-0478C-T/K)). The complaint also alleges breach of contract, misappropriation of trade secrets and state and federal unfair competition. The Company believes that it has strong defenses to all asserted claims. In addition, based upon the level of/lack of sales of the accused products and the plaintiff's products, the Company believes the amount of any damages would not be substantial and, in any event, the Company does not expect the outcome to be material to the Company. Further, Crane has agreed to indemnify the Company and to satisfy any judgment arising from the litigation.

Schedule 5.19

Material Domestic Subsidiaries

Watts Regulator Co.

Dormont Manufacturing Company

Core Industries Inc.

Flowmatic Systems, Inc.

Anderson-Barrows Metals Corporation

Webster Valve, Inc.

Watts Distribution Company, Inc.

Hunter Innovations, Inc.

SCHEDULE 6.15

FOREIGN SUBSIDIARY GUARANTORS

Name	Jurisdiction of Organization
Guiliani Anello S.r.l.	Italy
TEAM Precision Pipework, Ltd.	United Kingdom
Watts Industries Italia S.r.l.	Italy
Watts Intermes S.r.l.	Italy
Watts Londa S.p.a.	Italy

WATTS WATER TECHNOLOGIES, INC.
REVOLVING CREDIT AGREEMENT
SCHEDULE 7.01
LIENS
December 31, 2005

COMPANY	DESCRIPTION	RATE	BALANCE 12/31/05
Dormont Manufacturing Company	Variable Rate Demand Bonds	Variable — 4.3% at 12/31/05	$ 8,900,000
Watts Industries Deutchland GmbH	Mortgage Loan	6.10%	606,378
Watts Industries Deutchland GmbH	Mortgage Loan	4.95%	191,855
Watts Instrumention GmbH	KFW Loan	4.50%	172,105
TEAM Precision Pipework, Ltd.	Lloyds TSB	5.20%	254,894
Giuliani Anello S.r.l.	Capital lease-machinery & equipment	Variable — 2.69% as 12/31/05	44,646
TEAM Precision Pipework, Ltd.	Capital lease-machinery & equipment	5.35%	33,233
Stern Rubinetti S.r.l.	Capital lease-machinery & equipment	Variable — 2.69% as 12/31/05	253,159
Watts Electronics SAS	Capital lease — building	Variable — 2.94% as 12/31/05	613,169
Watts Regulator Company	Capital lease — machinery & equipment	9.20%	244,571
Dormont Manufacturing Company	Capital lease — machinery & equipment	0.00%	85,000
		Total:	$ 11,399,010

Liens in connection with the Specified Sale-Leaseback. "Specified Sale-Leaseback" means, collectively, (i) the sales by Watts Londa of a certain building and related real property to Agenzia per lo Sviluppo, (ii) the sale by Watts Londa of certain real property located in Spini di Gardola (purchased from Agenzia per lo Sviluppo) to Sanpaolo Geasint Spa and (iii) the related leasing of such properties by Watts Londa from such purchasers immediately after such sales.

Schedule 7.02

Joint Ventures

Investments by Watts U.K. Ltd. In connection with its 20% ownership interest in www.plumbworld.co.uk Ltd., a company organized under the laws of the United Kingdom, in the aggregate principal amount of $500.00.

Investments by Dormont Manufacturing Company in connection with its 11.1% equity interest in Mechline, Inc., a U.S. company, in the aggregate principal amount of $111.00

Investments by Dormont Manufacturing Company in connection with its 11.1% equity interest in Mechline Developments Limited, a company organized under the laws of the United Kingdom, in the aggregate principal amount of $167,000.00.

WATTS WATER TECHNOLOGIES, INC.
REVOLVING CREDIT AGREEMENT
SCHEDULE 7.03
INDEBTEDNESS
December 31, 2005

COMPANY	DESCRIPTION	RATE	BALANCE 12/31/05
Watts Water Technologies, Inc.	Senior Notes	4.87%	$ 50,000,000
Watts Water Technologies, Inc.	Senior Notes	5.47%	75,000,000
Watts Regulator Company	Hunter Shareholders Note Payable	Variable — 5% at 12/31/05	3,750,000
Dormont Manufacturing Company	Variable Rate Demand Bonds	Variable — 4.3% at 12/31/05	8,900,000
Watts Industries Europe BV	Swap Fair Value	Variable	(484,338)
Watts Industries Italia S.r.l.	Ministry of Industry, Commerce	8.49%	769,117
Watts Industries Italia S.r.l.	Fimet Loans	11.28%	33,977
Watts Industries Deutchland GmbH	Mortgage Loan	6.10%	606,378
Watts Industries Deutchland GmbH	Mortgage Loan	4.95%	191,855
Watts Instrumention GmbH	KFW Loan	4.50%	172,105
Watt Industires Europe BV	Revolving Credit Facility	Variable — 2.7% at 12/31/05	40,262,800
Watts Industries Italia S.r.l.	Overdraft Facility	2.70%	510,774
TEAM Precision Pipework, Ltd.	Lloyds TSB	5.20%	254,894
TEAM Precisio Pipework, Ltd.	Government Grants	5.67%	11,172
Watts Electronics SAS	Government Grants	0.00%	4,275
Watts Microflex NV	Dexia Bank	3.50%	1,768
CAPITAL LEASES			
Giuliani Anello S.r.l.	Machinery & Equipment	Variable — 2.69% at 12/31/05	$ 44,646
TEAM Precision Pipework, Ltd.	Machinery & Equipment	5.35%	33,233
Stern Rubinetti S.r.l.	Machinery & Equipment	Variable — 2.69% at 12/31/05	253,159
Watts Electronics SAS	Building	Variable — 2.94% at 12/31/05	613,169
Watts Regulator Company	Machinery & Equipment	9.20%	244,571
Dormont Manufacturing Company	Machinery & Equipment	0.00%	85,000
	Total Capital Leases		
WATTS REGULATOR	Letters of Credit — Commercial		16,010,134

Indebtedness not to exceed 13,000,000 euros in connection with the Specified Sale-Leaseback (as defined above).

Schedule 10.02
Administrative Agent's Office
Addresses for Notices

Watts Water Technologies, Inc.

Watts Water Technologies, Inc.
815 Chestnut Street
North Andover, MA 01845
Attn: William McCarthy, CFO
Phone: 978-689-6207
Facsimile: 978-688-2976
Email: mccartwc@wattsind.com

Watts Industries Europe B.V.

Watts Industries Europe B.V.
Kollergang 14
6961 LZ Eerbeek
The Netherlands
Attn: Johan Van Kouterik
Phone: 011-31-31-367-3723
Facsimile: 011-31-313-652-073
Email: kouterik.van.j@wattsindustries.com

with a copy to:

c/o Watts Water Technologies, Inc.
815 Chestnut Street
North Andover, MA 01845
Attn: William McCarthy, CFO
Phone: 978-689-6207
Facsimile: 978-688-2976
Email: mccartwc@wattsind.com

Bank of America, N.A.

Bank of America, N.A.
Mail Code: IL1-231-08-30
231 S. LaSalle Street
Chicago, IL 60697
Attn: Bozena Janociak
Phone: 312-828-3597
Facsimile: 877-207-0732
Email:bozena.janociak@bankofamerica.com

SCHEDULE 10.06

PROCESSING AND RECORDATION FEES

The Administrative Agent will charge a processing and recordation fee (an " Assignment Fee") in the amount of $2,500 for each assignment; provided, however, that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), the Assignment Fee will be $2,500 plus the amount set forth below:

Transaction	Assignment Fee
First four concurrent assignments or suballocations to members of an Assignee Group (or from members of an Assignee Group, as applicable)	-0-
Each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable)	$ 500

EXHIBIT A

FORM OF COMMITTED LOAN NOTICE

Date: ,

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Watts Water Technologies, Inc., a Delaware corporation [, Name of Applicable Designated Borrower] (the "Requesting Borrower"), the [other] Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The Requesting Borrower hereby requests, on behalf of itself (select one):

☐ A Borrowing of Committed Loans ☐ A conversion or continuation of Loans

1. On (a Business Day).

2. In the amount of .

3. Comprised of .
[Type of Committed Loan requested]

4. In the following currency:

5. For Eurocurrency Rate Loans: with an Interest Period of months.

The Committed Borrowing, if any, requested herein complies with the provisos to the first sentence of Section 2.01 of the Agreement.

[APPLICABLE BORROWER]

By: _____

Name: _____

Title: _____

EXHIBIT B

FORM OF SWING LINE LOAN NOTICE

Date: ,

To: Bank of America, N.A., as Swing Line Lender
Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Watts Water Technologies, Inc., a Delaware corporation (the "Company"), the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests a Swing Line Loan:

1. On (a Business Day).

2. In the amount of $.

The Swing Line Borrowing requested herein complies with the requirements of the provisos to the first sentence of Section 2.04(a) of the Agreement.

WATTS WATER TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

EXHIBIT C

FORM OF NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrower under that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement;" the terms defined therein being used herein as therein defined), among Watts Water Technologies, Inc., a Delaware corporation, the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. Except as otherwise provided in Section 2.04(f) of the Agreement with respect to Swing Line Loans, all payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in the currency in which such Committed Loan was denominated and in Same Day Funds at the Administrative Agent's Office for such currency. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of each Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount, currency and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

WATTS WATER TECHNOLOGIES, INC.

OR

[APPLICABLE DESIGNATED BORROWER]

By: _____

Name: _____

Title: _____

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Currency and Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: ,

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Watts Water Technologies, Inc., a Delaware corporation (the "Company"), the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Company, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Company ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Company ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Company and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Company during the accounting period covered by the attached financial statements.

3. A review of the activities of the Company during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Company performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, each Loan Party performed and observed each covenant and condition of the Loan Documents applicable to it.]

—or—

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of (i) the Borrowers contained in Article V of the Agreement and (ii) each Loan Party contained in each other Loan Document or in any document furnished at any time under or in connection with the Loan Documents, are (i) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects and (ii) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects, on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsection (a) of Section 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) of Section 6.01 of the Agreement (subject, in the case of any unaudited statements furnished pursuant to clause (b) of Section 6.01 of the Agreement, to the absence of footnotes and to normal year-end audit adjustments) , including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedules 2 and 3 attached hereto are true and accurate in all material respects on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of , .

WATTS WATER TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

SCHEDULE 1
to the Compliance Certificate

FINANCIAL STATEMENTS

See attached.

For the Quarter/Year ended ("Statement Date")

SCHEDULE 2
to the Compliance Certificate

FINANCIAL COVENANT ANALYSIS
($ in 000's)

I. Section 7.13(a) — Consolidated Net Worth.

A.	Consolidated Net Worth at Statement Date:	$
B.	50% of Consolidated Net Income (excluding impact of foreign currency translation adjustments) for each full fiscal quarter beginning with the fiscal quarter ending April 2, 2006 (no reduction for losses):	$
C.	100% of increases in Shareholders' Equity after date of Agreement from issuance and sale of Equity Interests (including from conversion of debt securities):	$
D.	Minimum required Consolidated Net Worth (Lines I.B + I.C plus $415,580,000):	$
E.	Excess (deficiency) for covenant compliance (Line I.A — I.D):	$

II. Section 7.13(b) — Consolidated Interest Coverage Ratio.

A.	Consolidated EBITDA for four consecutive fiscal quarters ending on above date ("Subject Period") (Schedule 3):	$
B.	Consolidated Total Interest Expense for Subject Period:	$
C.	Consolidated Interest Coverage Ratio (Line II.A ÷ Line II.B):	to 1
D.	Minimum required Consolidated Interest Coverage Ratio:	3.50 to 1

III. Section 7.13(c) — Consolidated Leverage Ratio.

A.	Consolidated Funded Indebtedness at Statement Date:	$
B.	Consolidated EBITDA for Subject Period (Schedule 3):	$
C.	Consolidated Leverage Ratio (Line III.A ÷ Line III.B):	to 1
D.	Maximum permitted Consolidated Leverage Ratio: (Each fiscal quarter ending on or prior to December 31, 2006: 3.50:1.00; each other fiscal quarter: 3.25:1.00)	[3.50] to 1

For the Quarter/Year ended ("Statement Date")

SCHEDULE 3
to the Compliance Certificate
($ in 000's)

Consolidated EBITDA
(in accordance with the definition of Consolidated EBITDA
as set forth in the Agreement)

Consolidated EBITDA	**Quarter Ended**	**Quarter Ended**	**Quarter Ended**	**Quarter Ended**	**Twelve Months Ended**
Consolidated Net Income					
+ Consolidated Total Interest Expense					
+ income taxes					
+ depreciation expense					
+ amortization expense					
+ non-recurring non-cash expenses					
+ Losses from Discontinued Operations					
- income tax credits					
- non-cash income					
= Consolidated EBITDA					
+/- Effect of Pro Forma Adjustments related to Permitted Acquisitions					
= Consolidated EBITDA on a Pro Forma Basis					

EXHIBIT E

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, the Letters of Credit and the Swing Line Loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:

2. Assignee: [and is an Affiliate/Approved Fund of [*identify Lender*]]

3. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement

4. Credit Agreement: Amended and Restated Credit Agreement, dated as of April 27, 2006, among Watts Water Technologies, Inc., a Delaware corporation, the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender

5. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment for all Lenders*	Amount of Commitment Assigned*	Percentage Assigned of Commitment(1)	CUSIP Number
Revolving Credit Commitment	$	$	%	

[6. Trade Date:](2)

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

Consented to and Accepted:

[BANK OF AMERICA, N.A., as
Administrative Agent

_____

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(1) Set forth, to at Least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(2) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

By: _____
Title:]

Consented to:

BANK OF AMERICA, N.A., as
Swing Line Lender and L/C Issuer

By: _____
Title:

[WATTS WATER TECHNOLOGIES, INC.

By: _____
Title:]

[WATTS INDUSTRIES EUROPE B.V.

By: _____
Title:]

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, (v) is a Lender, an Affiliate of a Lender or another Person that, through its Lending Offices, is capable of lending Euros to the relevant Borrowers without the imposition of any Taxes or additional Taxes, as the case may be, and (vi) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; (b) represents and warrants to the Initial Designated Borrower that (i) it is a PMP, (ii) it is aware of that it does not benefit from the protection offered by the Dutch Banking Act to Lenders which are not PMPs, and (iii) it has made its own independent appraisal of risks arising under or in connection with any Loan Documents; and (c) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan

Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the State of New York.

EXECUTION COPY

EXHIBIT F

FORM OF AMENDED AND RESTATED
GUARANTY AGREEMENT

See attached.

AMENDED AND RESTATED GUARANTY

This AMENDED AND RESTATED GUARANTY (this "Guaranty"), dated as of April 27, 2006, is made by Watts Water Technologies, Inc., a Delaware corporation (the "Company"), the Subsidiaries of the Company set forth on the signature pages hereto (the " Initial Subsidiary Guarantors"), Watts Industries Europe B.V., a private company with limited liability organized under the laws of The Netherlands (the "Initial Designated Borrower" and, together with the Company, the Initial Subsidiary Guarantors and any additional Subsidiaries of the Company that become parties to this Guaranty by executing a Supplement hereto in the form attached hereto as Annex I, the "Guarantors"), in favor of Bank of America, N.A., as Administrative Agent (in such capacity, "Administrative Agent") for the Lenders pursuant to the Credit Agreement hereinafter defined.

preliminary statements

WHEREAS, the Company, the Initial Designated Borrower and certain of the Initial Subsidiary Guarantors are parties to that certain Guaranty, dated as of September 23, 2004 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the " Existing Guaranty"), in favor of the Administrative Agent, which Existing Guaranty was entered into in connection with that certain Credit Agreement, dated as September 23, 2004 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the " Existing Credit Agreement"), by and among the Company, certain Subsidiaries of the Company party thereto, the lenders party thereto and the Administrative Agent;

WHEREAS, the Existing Credit Agreement has been amended and restated in its entirety pursuant to that certain Amended and Restated Credit Agreement, dated as of the date hereof (as amended, restated, supplemented or otherwise modified, the " Credit Agreement"), among the Company, certain Subsidiaries of the Company party thereto pursuant to Section 2.14 thereof (the " Designated Borrowers" and, collectively with the Company, the "Borrowers"), the Lenders and the Administrative Agent;

WHEREAS, the Company is the parent of each Designated Borrower, and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to the Designated Borrowers pursuant to the Credit Agreement;

WHEREAS, (i) each Domestic Designated Borrower is, with respect to the Company and each other Designated Borrower, a direct or indirect Subsidiary thereof and/or commonly owned and controlled by the Company, and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to such other Borrowers pursuant to the Credit Agreement and (ii) each Foreign Designated Borrower is, with respect to each other Foreign Designated Borrower, a direct or indirect Subsidiary thereof and/or commonly owned and controlled by the Company, and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to such other Foreign Designated Borrowers pursuant to the Credit Agreement;

WHEREAS, (i) each Domestic Subsidiary Guarantor is, with respect to each Borrower, a direct or indirect Subsidiary thereof and/or commonly owned and controlled by the Company, and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to the Borrowers pursuant to the Credit Agreement and (ii) each Foreign Subsidiary Guarantor is, with respect to each Foreign Designated Borrower, a direct or indirect Subsidiary thereof and/or commonly owned and controlled by the Company, and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to the Foreign Designated Borrowers pursuant to the Credit Agreement;

WHEREAS, the Domestic Subsidiaries of the Company party hereto as of the date hereof constitute the Material Domestic Subsidiaries of the Company as of the date hereof and shall be Domestic Subsidiary Guarantors hereunder; and

WHEREAS, in order to induce Administrative Agent and Lenders to enter into the Credit Agreement and other Loan Documents and to induce Lenders to make the Loans and other financial accommodations as provided for in the Credit Agreement, (i) the Company, each Domestic Designated Borrower and each Domestic Subsidiary Guarantor (collectively, the "Domestic Guarantors") have agreed to guarantee payment of the Obligations of all of the Borrowers and (ii) each Foreign Designated Borrower and each Foreign Subsidiary Guarantor (collectively, the " Foreign Guarantors") have agreed to guarantee payment of the Obligations of all of the Foreign Designated Borrowers.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, and to induce Lenders to provide the Loans and other financial accommodations under the Credit Agreement, it is agreed as follows:

ARTICLE XIV.Guaranty. Each Domestic Guarantor hereby, jointly and severally, absolutely and unconditionally guarantees, as a guarantee of payment and not merely as a guarantee of collection, prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of any and all existing and future Obligations of all of the Borrowers to the Administrative Agent, the Lenders, the L/C Issuer and the Affiliates of the foregoing to whom Obligations are owed, and the respective successors, endorsees, transferees and assigns of each of the foregoing (each a " Holder of Obligations" and collectively the "Holders of Obligations") (including all renewals, extensions and modifications thereof and all costs, reasonable attorneys' fees and expenses incurred by the Holders of Obligations in connection with the collection or enforcement thereof) (collectively, the " Guaranteed Obligations"). Each Foreign Guarantor hereby, jointly and severally, absolutely and unconditionally guarantees, as a guarantee of payment and not merely as a guarantee of collection, prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of any and all existing and future Obligations of all of the Foreign Designated Borrowers to the Holders of Obligations (including all renewals, extensions and modifications thereof and all costs, reasonable attorneys' fees and expenses incurred by the Holders of Obligations in connection with the collection or enforcement thereof) (collectively, the "Guaranteed Foreign Obligations"; it being understood that all references to the "Guaranteed Obligations" herein (except in the first sentence of Section 10, in which instance the reference to "Guaranteed Obligations" shall refer to all existing and future Obligations of all of the Borrowers to the Holders of Obligations) shall, in the case of any Foreign Guarantor, refer only to the Guaranteed Foreign Obligations). This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Guaranteed Obligations or any instrument or agreement evidencing any Guaranteed Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefor, or by any fact or circumstance relating to the Guaranteed Obligations which might otherwise constitute a defense to the obligations of any Guarantor under this Guaranty. Notwithstanding any provision herein contained to the contrary, each Guarantor's liability hereunder shall be limited to an amount not to exceed as of any date of determination the greater of: (a) the net amount of all Loans and other extensions of credit (including Letters of Credit) advanced to another Loan Party under the Credit Agreement and directly or indirectly re-loaned or otherwise transferred to, or incurred for the benefit of, such Guarantor, plus interest thereon at the applicable rate specified in the Credit Agreement; or (b) the amount which could be claimed by the Administrative Agent and the Holders of Obligations from such Guarantor under this Guaranty without rendering such claim voidable or avoidable under Section 548 of the Bankruptcy Code of the United States or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

ARTICLE XV.No Setoff or Deductions; Taxes. The Guarantors hereby represent, warrant and jointly and severally agree that, as of the date of this Guaranty, their obligations under this Guaranty are not subject to any offsets or defenses against the Administrative Agent or the Holders of Obligations or any other guarantor of the Guaranteed Obligations of any kind. The Guarantors further jointly and severally agree that their obligations under this Guaranty shall not be subject to any counterclaims, offsets or defenses against the Administrative Agent or any Holder of Obligation or any other guarantor of the Guaranteed Obligations of any kind which may arise in the future. All payments required to be made by each Guarantor hereunder shall be made to the Holders of Obligations free and clear of, and without deduction for, any and all present and future taxes. If any Guarantor shall be required by law to deduct any taxes from or in respect of any sum payable hereunder, (a) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2) the Holders of Obligations receive an amount equal to the sum they would have received had no such deductions been made, (b) such Guarantor shall make such deductions, and (c) such Guarantor shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of such taxes, each applicable Guarantor shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof. Each Guarantor shall jointly and severally indemnify and, within ten business (10) days of written demand therefor, pay each Holder of Obligations for the full amount of taxes paid by any Holder of Obligations in respect of any sum payable hereunder (including any taxes imposed on any Holder of Obligations by any jurisdiction on amounts payable under this Section 2) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such taxes were correctly or legally asserted; provided, that no Foreign Guarantor shall be liable for any indemnity for (or otherwise with respect to) any taxes paid by a Holder of Obligations in respect of a payment received from any Domestic Guarantor.

ARTICLE XVI.No Termination. This Guaranty is a continuing and irrevocable guaranty of all Guaranteed Obligations now or hereafter existing and shall remain in full force and effect until all Guaranteed Obligations and any other amounts payable under this Guaranty are indefeasibly paid and performed in full and any commitments of the Lenders or facilities provided by the Lenders with respect to the Guaranteed Obligations are terminated. Payment by Guarantors shall be made to the Administrative Agent in immediately available funds in Dollars or, as applicable, such other currency in which the related Guaranteed Obligations are required to be paid pursuant to the Credit Agreement, and shall be credited and applied to the Guaranteed Obligations.

ARTICLE XVII.Waiver of Notices. Each Guarantor waives notice of the acceptance of this Guaranty and of the extension or continuation of the Guaranteed Obligations or any part thereof. Each Guarantor further waives presentment, protest, notice, dishonor or default, demand for payment and any other notices to which such Guarantor might otherwise be entitled.

ARTICLE XVIII.Subrogation. No Guarantor shall exercise any right of subrogation, contribution or similar rights with respect to any payments it makes under this Guaranty until all of the Guaranteed Obligations and any amounts payable under this Guaranty are indefeasibly paid and performed in full and any commitments of the Lenders or facilities provided by the Lenders with respect to the Guaranteed Obligations are terminated. If any amounts are paid to any Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Holders of Obligations and shall promptly be paid to the Administrative Agent and shall be credited and applied to the Guaranteed Obligations, whether matured or unmatured.

ARTICLE XIX.Indemnification. To the extent that any Guarantor shall make a payment under this Guaranty (any such payment, a " Guarantor Payment") that, taking into account all other Guarantor Payments then previously or concurrently made by any other Guarantor, exceeds the amount that such Guarantor would otherwise have paid if each Guarantor had paid the aggregate Guaranteed Obligations satisfied by such Guarantor Payment in the same proportion that such Guarantor's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Guarantors as determined immediately prior to the making of such Guarantor Payment, then, following the indefeasible payment in full of all Guaranteed Obligations and any other amounts payable under this Guaranty and the termination of any commitments of the Lenders or facilities provided by the Lenders with respect to the Guaranteed Obligations, such Guarantor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Guarantor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment. As of any date of determination, the "Allocable Amount" of any Guarantor shall be equal to the maximum amount of the claim that could then be recovered from such Guarantor under this Guaranty without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code of the United States, under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law. This Section 6 is intended only to define the relative rights of the Guarantors and nothing set forth in this Section 6 is intended to or shall impair the obligations of the Guarantors, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Guaranty. The rights of the parties under this Section 6 shall be exercisable upon the full and indefeasible payment of all Guaranteed Obligations and any other amounts payable under this Guaranty and the termination of any commitments of the Lenders or facilities provided by the Lenders with respect to the Guaranteed Obligations. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Guarantor or Guarantors to which such contribution and indemnification is owing.

ARTICLE XX.Waiver of Suretyship Defenses. Each Guarantor agrees that the Holders of Obligations may, at any time and from time to time, and without notice to the Guarantor, make any agreement with any Borrower or with any other person or entity liable on any of the Guaranteed Obligations or providing collateral as security for the Guaranteed Obligations, for the extension, renewal, payment, compromise, discharge or release of the Guaranteed Obligations, any other guarantor or any collateral (in whole or in part), or for any modification or amendment of the terms thereof or of any instrument or agreement evidencing the Guaranteed Obligations or the provision of collateral, all without in any way impairing, releasing, discharging or otherwise affecting the obligations of such Guarantor under this Guaranty. Each Guarantor waives any defense arising by reason of any disability or other defense of any Borrower or any other guarantor, or the cessation from any cause whatsoever of the liability of any Borrower, or any claim that such Guarantor's obligations exceed or are more burdensome than those of any Borrower and waives the benefit of any statute of limitations affecting the liability of such Guarantor hereunder. Each Guarantor waives any right to enforce any remedy which any Holder of Obligations now has or may hereafter have against any Borrower and waives any benefit of and any right to participate in any security now or hereafter held by any Holder of Obligations.

ARTICLE XXI.Exhaustion of Other Remedies Not Required. The obligations of each Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations. Each Guarantor waives diligence by the Holders of Obligations and action on delinquency in respect of the Guaranteed Obligations or any part thereof, including, without limitation any provisions of law requiring any Holder of Obligations to exhaust any right or remedy or to take any action against any Borrower, any other guarantor or any other person, entity or property before enforcing this Guaranty against such Guarantor.

ARTICLE XXII.Reinstatement. Notwithstanding anything in this Guaranty to the contrary, this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any portion of the Guaranteed Obligations is revoked, terminated, rescinded or reduced or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or any other person or entity or otherwise, as if such payment had not been made and whether or not the Administrative Agent or any other Holder of Obligations is in possession of or has released this Guaranty and regardless of any prior revocation, rescission, termination or reduction.

ARTICLE XXIII.Subordination. Each Guarantor hereby subordinates the payment of all obligations and indebtedness of any Loan Party owing to such Guarantor, whether now existing or hereafter arising, including but not limited to any obligation of any Loan Party to such Guarantor as subrogee of the Holders of Obligations or resulting from such Guarantor's performance under this Guaranty, to the indefeasible payment in full of all Guaranteed Obligations. If the Administrative Agent, on behalf of the Holders of Obligations, so requests, any such obligation or indebtedness of any Loan Party to such Guarantor shall be enforced and performance received by such Guarantor as trustee for the Holders of Obligations and the proceeds thereof shall be paid over to the Administrative Agent on account of the Guaranteed Obligations and shall be credited and applied to the Guaranteed Obligations, whether matured or unmatured, but without reducing or affecting in any manner the liability of any Guarantor under this Guaranty.

ARTICLE XXIV.Stay of Acceleration. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed, upon the insolvency, bankruptcy or reorganization of any Borrower or any other person or entity, or otherwise, all such amounts shall nonetheless be payable by each Guarantor immediately upon demand by the Administrative Agent.

ARTICLE XXV.Expenses. Each Guarantor shall pay on demand all out-of-pocket expenses (including reasonable attorneys' fees and expenses and the allocated cost and disbursements of internal legal counsel) in any way relating to the enforcement or protection of the Holders' of Obligations rights under this Guaranty, including any incurred in the preservation, protection or enforcement of any rights of the Holders of Obligations in any case commenced by or against such Guarantor under Chapter 11 of the Bankruptcy Code of the United States or any similar or successor statute; provided, that no Foreign Guarantor shall be liable for any expenses in any way related to the enforcement or protection of the rights of the Holders of Obligations hereunder against any Domestic Guarantor. The obligations of each Guarantor under the preceding sentence shall survive termination of this Guaranty.

ARTICLE XXVI.Amendments. No provision of this Guaranty may be waived, amended, supplemented or modified, except by a written instrument executed by the Administrative Agent and each Guarantor.

ARTICLE XXVII.No Waiver; Enforceability. No failure by the Holders of Obligations to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or in equity. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein. The obligations hereunder shall not be affected, limited or impaired by any acts of any legislative body or governmental authority affecting any Borrower, including but not limited to, any restrictions on or regarding the conversion of currency or repatriation or control of funds or any total or partial expropriation of any Borrower's property, or by any economic, political, regulatory or other events in the countries where such Borrower is located.

ARTICLE XXVIII.Binding Effect; Assignment. This Guaranty shall (a) bind each Guarantor and its successors and assigns; provided, that no Guarantor may assign its rights or obligations under this Guaranty without the prior written consent of each Lender (and any attempted assignment without such consent shall be void) and (b) inure to the benefit of the Administrative Agent and the Holders of Obligations and their respective successors and assigns and any Holder of Obligations may, subject to the terms and conditions of the Credit Agreement, without notice to the Guarantor and without affecting the Guarantor's obligations hereunder, assign or sell participations in the Guaranteed Obligations and this Guaranty, in whole or in part. Each Guarantor agrees that the Administrative Agent or any Holder of Obligations may, subject to the terms and conditions of the Credit Agreement, disclose to any prospective purchaser of all or part of the Guaranteed Obligations any and all information in such Person's possession concerning such Guarantor, this Guaranty and any security for this Guaranty.

ARTICLE XXIX.Condition of the Borrowers. Each Guarantor acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from each Borrower such information concerning the financial condition, business and operations of such Borrower as such Guarantor requires, and that neither the Administrative Agent nor any Holder of Obligations has any duty, and such Guarantor is not relying on any Holder of Obligations at any time, to disclose to such Guarantor any information relating to the business, operations or financial condition of any Borrower.

ARTICLE XXX.Setoff. If and to the extent any payment is not made when due hereunder, each Holder of Obligations and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Holder of Obligation or any such Affiliate to or for the credit or the account of any Guarantor against any and all of the obligations of such Guarantor now or hereafter existing under this Guaranty or any other Loan Document to such Holder of Obligations, irrespective of whether or not such Holder of Obligations shall have made any demand under this Guaranty or any other Loan Document and although such obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of such Holder of Obligations different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Holder of Obligations and their respective Affiliates under this Section 17 are in addition to other rights and remedies (including other rights of setoff) that such Holder of Obligations or its respective Affiliates may have. Each Holder of Obligations agrees to notify the Company and the Administrative Agent promptly after any such setoff and application; provided, that the failure to give such notice shall not affect the validity of such setoff and application.

ARTICLE XXXI.Representations and Warranties. Each Guarantor represents and warrants that:

ARTICLE XXXII.(a) Such Guarantor is duly organized and formed, validly existing and in good standing (to the extent such concept is applicable to such entity) under the Laws of the jurisdiction of its incorporation or organization;

ARTICLE XXXIII.(b) Such Guarantor has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under this Guaranty; and

ARTICLE XXXIV.(c) The making and performance of this Guaranty by such Guarantor have been duly authorized by all necessary corporate or other organizational action, and do not and will not (i) contravene the terms of any of such Guarantor's Organization Documents; (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (x) any Contractual Obligation to which such Guarantor is a party or affecting such Guarantor or the properties of such Guarantor or any of its Subsidiaries or (y) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Guarantor or its property is subject; or (iii) violate any Law.

ARTICLE XXXV.Foreign Currency. If any claim arising under or related to this Guaranty is reduced to judgment denominated in a currency (the "Judgment Currency") other than the currencies in which the applicable Guaranteed Obligations are denominated (collectively the " Obligations Currency"), the judgment shall be for the equivalent in the Judgment Currency of the amount of the claim denominated in the Obligations Currency included in the judgment, determined as of the date of judgment. The equivalent of any Obligations Currency amount in any Judgment Currency shall be calculated at the spot rate for the purchase of the Obligations Currency with the Judgment Currency quoted by the Administrative Agent in the place of the Administrative Agent's choice at or about 8:00 a.m. on the date for determination specified above. Each Guarantor shall indemnify the Holders of Obligations and hold the Holders of Obligations harmless from and against all loss or damage resulting from any change in exchange rates between the date any claim is reduced to judgment and the date of payment thereof by any Guarantor. If the Administrative Agent so notifies the Guarantors in writing, at the Administrative Agent's sole and absolute discretion, payments under this Guaranty shall be the Dollar Equivalent of the Guaranteed Obligations or any portion thereof, determined as of the date payment is made.

ARTICLE XXXVI.Further Assurances. Each Guarantor agrees, upon the written request of the Administrative Agent, to execute and deliver to the Administrative Agent, from time to time, any additional instruments or documents reasonably considered necessary by Administrative Agent to cause this Guaranty to be, become or remain valid and effective in accordance with its terms.

ARTICLE XXXVII.Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Guaranty, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement, with respect to the Administrative Agent at its notice address therein and with respect to any Guarantor at the address set forth for the Company in the Credit Agreement or such other address or telecopy number as such party may hereafter specify for such purpose by notice to the Administrative Agent as provided for in the Credit Agreement.

ARTICLE XXXVIII.GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

ARTICLE XXXIX.SUBMISSION TO JURISDICTION. EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK, NEW YORK AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY HOLDER OF OBLIGATIONS MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT AGAINST ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

ARTICLE XL.WAIVER OF VENUE; SERVICE OF PROCESS. EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 23. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 21. NOTHING IN THIS GUARANTY WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

ARTICLE XLI.WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 25.

ARTICLE XLII.Headings. Section headings in this Guaranty are for convenience of reference only and shall not govern the interpretation of any provision of this Guaranty.

ARTICLE XLIII.Additional Guarantors. Certain Subsidiaries of the Company shall be required to become, and the Company will promptly cause such Subsidiary to become, in accordance with the Credit Agreement, a Guarantor and be made a party to this Guaranty pursuant to this Section by the execution and delivery by the Administrative Agent and such Subsidiary of a supplement in the form of Annex I hereto (which supplement shall indicate whether such Subsidiary shall constitute a Domestic Subsidiary Guarantor or Foreign Subsidiary Guarantor) and such additional documentation and legal opinions as the Administrative Agent may reasonably request. The execution and delivery of any such instrument shall not require the consent of any Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Guaranty.

ARTICLE XLIV.No Novation; References to This Guaranty In Loan Documents.

ARTICLE XLV.(a) It is the express intent of the parties hereto that this Guaranty (i) shall re-evidence the Guarantors' obligations under the Existing Guaranty, (ii) is entered into in substitution for, and not in payment of, the obligations of the Guarantors under the Guaranty, and (iii) is in no way intended to constitute a novation of any of the Guarantors' obligations that were evidenced by the Existing Guaranty or any of the other Loan Documents.

ARTICLE XLVI.(b) Upon the effectiveness of this Guaranty, on and after the date hereof, each reference in any other Loan Document to the Existing Guaranty (including any reference therein to "the Guaranty," "thereunder," "thereof," "therein" or words of like import referring thereto) shall mean and be a reference to this Guaranty.

ARTICLE XLVII.Counterparts. This Guaranty may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Guaranty by telecopy shall be effective as delivery of a manually executed counterpart of this Guaranty.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty as of the date first above written.

WATTS WATER TECHNOLOGIES, INC.

By: _____
Name:
Title:

WATTS INDUSTRIES EUROPE B.V.

By: _____
Name:
Title:

INITIAL SUBSIDIARY GUARANTORS:
WATTS REGULATOR CO.

By: _____
Name:
Title:

ANDERSON-BARROWS METALS CORPORATION

By: _____
Name:
Title:

WEBSTER VALVE, INC.

By: _____
Name:
Title:

HUNTER INNOVATIONS, INC.

By: _____
Name:
Title:

WATTS DISTRIBUTION COMPANY, INC.

By: _____
Name:
Title:

CORE INDUSTRIES INC.

By: _____
Name:
Title:

DORMONT MANUFACTURING COMPANY

By: _____
Name:
Title:

FLOWMATIC SYSTEMS, INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED:
BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name:
Title:

ANNEX I TO
AMENDED AND RESTATED GUARANTY

Reference is hereby made to the Amended and Restated Guaranty (as from time to time amended, restated, supplemented or otherwise modified, the "Guaranty"), dated as of April 27, 2006, made by Watts Water Technologies, Inc., a Delaware corporation (the "Company"), certain Subsidiaries of the Company (collectively, the "Initial Subsidiary Guarantors"), Watts Industries Europe B.V., a private company with limited liability organized under the laws of The Netherlands ("Watts Europe" and, together with the Company, the Initial Subsidiary Guarantors and any additional Subsidiaries of the Company that become parties to the Guaranty by executing a Supplement thereto in the form attached thereto as Annex I, the "Guarantors"), in favor of Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"). Each capitalized term used herein and not defined herein shall have the meaning given to it in the Guaranty.

By its execution below, the undersigned, **[**NAME OF NEW GUARANTOR**]**, a **[ ]**, agrees to become, and does hereby become, a Guarantor under the Guaranty and agrees to be bound by such Guaranty as if originally a party thereto. By its execution below, the undersigned represents and warrants that all of the representations and warranties contained in Section 18 of the Guaranty are true and correct in all respects as of the date hereof. The undersigned shall constitute a **[**Domestic Subsidiary Guarantor**]** **[**Foreign Subsidiary Guarantor**]** for all purposes under the Guaranty and the other Loan Documents.

IN WITNESS WHEREOF, **[**NAME OF NEW GUARANTOR**]**, a **[ ]** has executed and delivered this Annex I counterpart to the Guaranty as of this day of , .

[NAME OF NEW GUARANTOR**]**

By: _____
Name:
Title:

EXHIBIT G

FORM OF DESIGNATED BORROWER
REQUEST AND ASSUMPTION AGREEMENT

Date: ,

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

This Designated Borrower Request and Assumption Agreement is made and delivered pursuant to Section 2.14 of that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Credit Agreement"), among Watts Water Technologies, Inc., a Delaware corporation (the "Company"), the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, and reference is made thereto for full particulars of the matters described therein. All capitalized terms used in this Designated Borrower Request and Assumption Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

Each of (the "Designated Borrower") and the Company hereby confirms, represents and warrants to the Administrative Agent and the Lenders that the Designated Borrower is a Subsidiary of the Company.

The documents required to be delivered to the Administrative Agent under Section 2.14 of the Credit Agreement will be furnished to the Administrative Agent in accordance with the requirements of the Credit Agreement.

The parties hereto hereby confirm that with effect from the date hereof, the Designated Borrower shall have obligations, duties and liabilities toward each of the other parties to the Credit Agreement identical to those which the Designated Borrower would have had if the Designated Borrower had been an original party to the Credit Agreement as a Borrower. The Designated Borrower confirms its acceptance of, and consents to, all representations and warranties, covenants, and other terms and provisions of the Credit Agreement.

The parties hereto hereby request that the Designated Borrower be entitled to receive Loans under the Credit Agreement, and understand, acknowledge and agree that neither the Designated Borrower nor the Company on its behalf shall have any right to request any Loans for its account unless and until the date five Business Days after the effective date designated by the Administrative Agent in a Designated Borrower Notice delivered to the Company and the Lenders pursuant to Section 2.14 of the Credit Agreement.

This Designated Borrower Request and Assumption Agreement shall constitute a Loan Document under the Credit Agreement.

THIS DESIGNATED BORROWER REQUEST AND ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Designated Borrower Request and Assumption Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

[DESIGNATED BORROWER]

By: _____
Title: _____

WATTS WATER TECHNOLOGIES, INC.

By: _____
Title: _____

EXHIBIT H

FORM OF DESIGNATED BORROWER NOTICE

Date: ,

To: **[Company]**

The Lenders party to the Credit Agreement referred to below

Ladies and Gentlemen:

This Designated Borrower Notice is made and delivered pursuant to Section 2.14 of that certain Amended and Restated Credit Agreement, dated as of April 27, 2006 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Credit Agreement"), among Watts Water Technologies, Inc., a Delaware corporation (the "Company"), the Designated Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, and reference is made thereto for full particulars of the matters described therein. All capitalized terms used in this Designated Borrower Notice and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

The Administrative Agent hereby notifies Company and the Lenders that effective as of the date hereof [ ] shall be a Designated Borrower and may receive Loans for its account on the terms and conditions set forth in the Credit Agreement.

This Designated Borrower Notice shall constitute a Loan Document under the Credit Agreement.

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Title: _____

Exhibit 10.30



815 Chestnut Street • North Andover, MA • 01845-6098 • Tel. (978) 688-1811

December 15, 2009

Mr. Gregory Michaud
585 South Bradford Street
N. Andover, MA 01845

Dear Greg:

In connection with the termination of your employment with Watts Water Technologies, Inc. (the "Company") on December 1, 2009, you are eligible to receive the listed severance benefit described in the "Description of Severance Benefit" attached to this letter agreement as Attachment A if you sign and return this letter agreement to Kenneth R. Lepage by January 5, 2009 and it becomes binding between you and the Company. By signing and returning this letter agreement and not revoking your acceptance, you will be agreeing to the terms and conditions set forth in the numbered paragraphs below, including the release of claims set forth in paragraph 3. Therefore, you are advised to consult with an attorney before signing this letter agreement and you have been given more than twenty-one (21) days to do so. If you sign this letter agreement, you may change your mind and revoke your agreement during the seven (7) day period after you have signed it. If you do not so revoke, this letter agreement will become a binding agreement between you and the Company upon the expiration of the seven (7) day revocation period.

If you choose not to sign and return this letter agreement by January 5, 2009 or if you timely revoke your acceptance in writing, you will not receive any severance benefits from the Company. You will, however, receive payment on your Termination Date (as defined below) for any wages and unused vacation time accrued through the Termination Date (as defined below). Also, regardless of signing this letter agreement, you may elect to continue receiving group sponsored health insurance pursuant to the federal "COBRA" law, 29 U.S.C. § 1161 et seq. You shall pay all premium costs for "COBRA" on a monthly basis for as long as, and to the extent that, you remain eligible for COBRA continuation. You should consult the COBRA materials to be provided by the Company for details regarding these benefits. All other benefits, including life insurance and long-term disability insurance, will cease upon your Termination Date.

You currently have vested stock options for purchase of 11,250 shares under the Company's 2004 Stock Incentive Plan. Pursuant to the Company's 2004 Stock Incentive Plan, you will have six (6) months from your Termination Date to exercise the options that were issued under the 2004 Stock Incentive Plan and that are vested as of your Termination Date. All unvested stock options will be cancelled and all unvested shares of restricted stock will be forfeited to the Company on the Termination Date.

Pursuant to the terms of the Management Stock Purchase Plan, your non-vested restricted stock units (RSUs) will be cancelled on the Termination Date and you will receive a cash

payment equal to the number of such non-vested RSUs multiplied by the lesser of (a) 67% of the fair market value of the Company's Class A Common Stock on the date the RSUs were purchased plus simple interest per annum on such amount at the one-year U.S. Treasury Bill rate (as published in the Wall Street Journal) in effect on the purchase date and each anniversary thereof, or (b) the fair market value of the Class A Common Stock on the Termination Date. Your vested RSUs will be converted to shares of the Company's Class A Common Stock and issued to you. As a result of the American Jobs Creation Act of 2004, because you are an officer of the Company, the distribution of this cash payment for any unvested RSUs and the issuance of the shares underlying your vested RSUs cannot be made until at least six months after the Termination Date.

The following numbered paragraphs set forth the terms and conditions that will apply if you timely sign and return this letter agreement and do not revoke it within the seven (7) day period:

1. **Termination Date** — Your effective date of termination from the Company was December 1, 2009 (the "Termination Date").

2. **Description of Severance Benefit** — The severance benefit paid to you if you timely sign and return this letter agreement and do not revoke your acceptance are described in the "Description of Severance Benefit" attached as Attachment A (the "severance benefit"). In connection with the severance benefit provided to you pursuant to this letter agreement, the Company shall withhold and remit to the tax authorities the amounts required under applicable law, and you shall be responsible for all applicable taxes with respect to such severance benefits under applicable law. You acknowledge that you are not relying upon advice or representation of the Company with respect to the tax treatment of any of the severance benefits set forth in Attachment A.

3. **Release** — In consideration of the payment of the severance benefit, which you acknowledge you would not otherwise be entitled to receive, you hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company and its respective, officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities), and all employee benefit plans and plan fiduciaries (collectively, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs), of every kind and nature that you ever had or now have against the Released Parties, including, but not limited to, any and all claims arising out of your employment with and/or separation from the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Worker Adjustment and

Retraining Notification Act ("WARN"), 29 U.S.C. § 2101 et. seq., Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, 18 U.S.C. 1514(A), the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq., the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., Executive Order 11246, and Executive Order 11141, all as amended; all claims arising out of the Massachusetts Fair Employment Practices Act., M.G.L. c. 151B, § 1 et seq., the Massachusetts Civil Rights Act, M.G.L. c. 12, §§ 11H and 11I, the Massachusetts Equal Rights Act, M.G.L. c. 93, § 102 and M.G.L. c. 214, § 1C, the Massachusetts Labor and Industries Act, M.G.L. c. 149, §1 et seq., the Massachusetts Privacy Act, M.G.L. c. 214, § 1B, the Massachusetts Maternity Leave Act, M.G.L. c. 149, § 105D, and the Massachusetts Small Necessities Leave Act, M.G.L. c. 149, § 52D, all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, including, but not limited to, claims to stock or stock options; and any claim or damage arising out of your employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; ***provided, however***, that nothing in this letter agreement; (a) prevents you from filing, cooperating with or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that you acknowledge that you may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding); or (b) waives any rights you have to receive your accrued benefits under the Company's Pension Plan in accordance with its respective terms.

4. **Non-Disclosure and Confidential Information** — You agree that you will keep confidential all non-public information concerning the Company or any of the Released Parties that you acquired during the course of your employment with the Company and all developments and inventions. You further agree to comply with any obligations regarding confidential information, non-solicitation, non-competition and inventions set forth in any agreements previously entered into by you with the Company or its predecessors. Such provisions and obligations shall remain in effect notwithstanding this letter agreement and the ending of your employment. You acknowledge that during the course of your employment with the Company you have acquired knowledge of, and/or had access to, trade secrets, confidential and proprietary information of the Company and of third parties which is subject to confidentiality and other agreements by and between the Company and those third parties ("Confidential Information"). Such Confidential Information, includes, but is not limited to: financial and pricing information; business, research, and new product plans and strategies; patent applications and invention disclosures; yields, designs, efficiencies, and capacities of production methods, processes, facilities and systems at the Company and its contractors; customer and vendor lists, key contacts, habits, and product and purchasing plans; marketing information, plans and strategies;

existing and anticipated agreements with customers, vendors, and other third parties; product design and related information; information regarding Company employees, their projects, and their salaries, benefits and other personnel information. You agree that you will not use or disclose to others any Confidential Information.

5. **Return of Company Property** — You confirm that you have returned to the Company in good working order all keys, files, records (and copies thereof), equipment (including, but not limited to, computer hardware, software and printers, wireless handheld devices, cellular phones and pagers), Company identification, Company proprietary and confidential information and any other Company -owned property in your possession or control and have left intact all electronic Company documents, including, but not limited to, those that you developed or helped to develop during your employment. You further confirm that you have cancelled all accounts for your benefit, if any, in the Company's name, including, but not limited to, credit cards, telephone charge cards, cellular phone and/or pager accounts and computer accounts.

6. **Business Expenses and Compensation** — You acknowledge that you have been reimbursed by the Company for all business expenses incurred in conjunction with the performance of your employment and that no other reimbursements are owed to you. You further acknowledge that you have received payment in full for all services rendered in conjunction with your employment by the Company and that no other compensation is owed to you.

7. **Cooperation** - You agree to make yourself available upon reasonable notice from the Company or its attorneys to provide testimony as a witness through declarations, affidavits, depositions or at a hearing or trial, and to work with the Company in preparation for such event, and to cooperate with any other reasonable request by the Company in connection with the investigation, defense or prosecution of any mediation, arbitration, administrative hearing, or lawsuit to which the Company is a party, currently pending or filed after the Termination Date. If the Company so requests your cooperation in connection with any legal matter then the Company agrees to pay for any reasonable out-of-pocket expenses, such as economy class airfare or lodging, that you incur in connection with assisting the Company, provided you notify the Company in advance of what your reasonable expenses are expected to be and receive prior written approval from the Company for such expenses.

8. **Non-Disparagement** — To the extent permitted by law, you understand and agree that as a condition for payment to you of the severance benefits, you shall not make any false, disparaging or derogatory statements in public or private to any person, entity or media outlet regarding the Company or the Released Parties, or about the Company's or the Released Parties business affairs, practices, products, services, and financial condition.

9. **Non-Solicitation of Employees** - You agree that for a period of twelve (12) months following the termination of your employment with the Company you shall not directly or indirectly, personally or through others, solicit or attempt to solicit (on your own behalf or on behalf of any other person or entity) the employment or termination of any employee or consultant of the Company or any of the Company's parents, subsidiaries, or affiliates. This provision shall not apply to employees of the Company or of the Company's parents, subsidiaries, or affiliates that have been terminated for a period of six months or longer.

10. **Amendment** — This letter agreement shall be binding upon the parties and may not be abandoned, supplemented, changed or modified in any manner, orally or otherwise, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This letter agreement is binding upon and shall inure to the benefit of the parties and their respective agents, assigns, heirs, executors, successors and administrators.

11. **Waiver of Rights** — No delay or omission by the Company in exercising any right under this letter agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar to or waiver of any right on any other occasion.

12. **Enforcement and Consequences of Breach** - You agree that if you assert any claim against the Company or any of the other Released Parties in violation of the foregoing Release, or otherwise breach any provision of this Release Agreement, then the Company shall be entitled to recover from me damages flowing from such breach, you will not be entitled to any of the severance benefits, and you will be liable for the costs and attorneys' fees that the Company and other Released Parties incur in any action arising as a result of your breach, to the maximum extent permitted by law. However, nothing in this letter Agreement will interfere with your right to challenge the enforceability of this letter agreement's release of claims under the ADEA, and you shall not be required to tender back payments made to you nor will you be liable for the costs and attorneys' fees that the Company and other Released Parties incur in connection with a challenge by you of the foregoing release of claims under the ADEA.

13. **Validity** — Should any provision of this letter agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this letter agreement.

14. **Confidentiality** — To the extent permitted by law, you understand and agree that the terms and contents of this letter agreement, and the contents of the negotiations and discussions resulting in this letter agreement, shall be maintained as confidential by you, your agents and your representatives and none of the above shall be disclosed except to the extent required by federal or state law or as otherwise agreed to in writing by an authorized agent of the Company.

15. **Nature of Agreement** — You understand and agree that this letter agreement is a severance agreement and does not constitute an admission of liability or wrongdoing on the part of the Company.

16. **Acknowledgments** — You acknowledge that you have been given at least twenty-one (21) days to consider this letter agreement, including Attachment A, and that the Company advised you in writing to consult with an attorney of your own choosing prior to signing this letter agreement. You understand that you may revoke this letter agreement for a period of seven (7) days after you sign it, and that this letter agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. You understand and agree that by entering into this letter agreement you are waiving any and all rights or claims you might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act ("ADEA"). You understand and agree that such waiver and release of claims under the ADEA does not apply to any rights or claims that may arise under the ADEA after the date of execution of this letter agreement, and that nothing in this letter agreement prohibits you from challenging the validity of this letter agreement's waiver and release of claims under the ADEA. You also understand and agree that you have received consideration beyond that to which you were previously entitled.

17. **Voluntary Assent** — You affirm that no other promises or agreements of any kind have been made to or with you by any person or entity whatsoever to cause you to sign this letter agreement, and that you fully understand the meaning and intent of this letter agreement. You state and represent that you have had an opportunity to discuss fully and review the terms of this letter agreement, including Attachment A, with an attorney. You further state and represent that you have carefully read this letter agreement, including Attachment A, understand the contents herein, freely and voluntarily assent to all of the terms and conditions hereof, and sign your name of your own free act.

18. **Applicable Law and Consent to Jurisdiction** — This letter agreement shall be interpreted and construed by the laws of the Commonwealth of Massachusetts, without regard to conflict of laws provisions. You hereby irrevocably submit to and acknowledge and recognize the jurisdiction of the courts of the Commonwealth of Massachusetts, or if appropriate, a federal court located in the Commonwealth of Massachusetts (which courts, for purposes of this letter

agreement, are the only courts of competent jurisdiction), over any suit, action or other proceeding arising out of, under or in connection with this letter agreement or the subject matter hereof.

19. **Entire Agreement** — This letter agreement, including Attachment A, contains and constitutes the entire understanding and agreement between the parties hereto with respect to your severance benefits and the settlement of claims against the Company, except as provided in Paragraph 4 above, and cancels all previous oral and written negotiations, agreements, commitments and writings in connection therewith.

If you have any questions about the matters covered in this letter agreement, please call Kenneth R. Lepage at 978-689-6234.

Very truly yours,

Watts Water Technologies, Inc.

By: /s/ Patrick S. O'Keefe
Name: Patrick S. O'Keefe
Title: Chief Executive Officer

I hereby agree to the terms and conditions set forth above and in Attachment A. I have been given at least twenty-one (21) days to consider this letter agreement (including Attachment A) and I have chosen to execute this on the date below. I have been advised to consult an attorney before signing this letter agreement. I acknowledge that I have not relied on any representation or statement other than those contained in this letter agreement. I intend that this letter agreement will become a binding agreement between the Company and me if I do not revoke my acceptance in seven (7) days.

/s/ Gregory Michaud	12/16/09
Gregory Michaud	Date

To be returned by January 5, 2009

ATTACHMENT A

DESCRIPTION OF SEVERANCE BENEFIT

1. The Company will pay you $217,000, representing twelve (12) months of your base salary, and $108,500, representing a discretionary bonus for 2009 as determined by the Company, less all applicable taxes and withholdings (the "Severance Pay"). This Severance Pay will be paid in one lump sum in accordance with the Company's normal payroll practices, but in no event earlier than the eighth (8 th) day after execution, timely return, and non-revocation of this letter agreement.

2. Effective as of the Termination Date, if you elect to continue receiving group health coverage pursuant to the federal "COBRA" law, 29 U.S.C. § 1161 et seq., for the period of time equivalent to the number of months of severance you are being paid as referenced in paragraph 1 above, the Company shall pay the full share of the COBRA premium costs associated with the medical and dental coverage you have elected. The remaining balance of any premium costs, and all premium costs after the period of time equivalent to the number of months of severance you are being paid as referenced in paragraph 1 above, shall be paid by you on a monthly basis for as long as, and to the extent that, you remain eligible for COBRA continuation. You should consult the COBRA materials to be provided by the Company for details regarding these benefits.

3. The Company will provide you with six months of Career Transition Services through Lee Hecht Harrison (LHH) should you choose to participate in these outplacement assistance services. The use of the outplacement services must occur within the ninety (90) days following your Termination Date. The cost of these outplacement services will be paid by the Company directly to LHH in accordance with the terms of the Company's agreement with LHH.

Exhibit 21

Entity Name	Domestic Jurisdiction	Doing Business As
Actuated Controls Ltd.	United Kingdom	
Black Automatic Controls Ltd.	United Kingdom	
Black Teknigas (Far East) Limited	Hong Kong	
Black Teknigas Limited	United Kingdom	
BLÜCHER Beteiligungs GmbH	Germany	
BLÜCHER France SARL	France	
BLÜCHER Germany GmbH	Germany	
BLÜCHER Metal A/S	Denmark	
BLÜCHER Norway AS	Norway	
BLÜCHER Sweden AB	Sweden	
BLÜCHER UK LTD	United Kingdom	
BM Stainles Steel Drains Limited	United Kingdom	
Dormont Manufacturing Company	Pennsylvania	
Electro Controls Ltd.	United Kingdom	
Giuliani Anello S.r.l.	Italy	
Gripp S.A.S.	France	
HF Scientific, Inc.	Florida	
Kim Olofsson Safe Corporation AB	Sweden	
Orion Enterprises, Inc.	Kansas	Flo-Safe, Laboratory Enterprises, Orion Fittings
Porquet S.A.S.	France	
Teknigas Ltd.	United Kingdom	
Tianjin Watts Valve Co. Ltd.	China	
W125	United Kingdom	
Watts (Ningbo) International Trading Co., Ltd.	China	
Watts (Shanghai) Management Company Limited	China	
Watts Belgium Holding Bvba	Belgium	
Watts Denmark Holding ApS	Denmark	
Watts Drainage Products, Inc.	Delaware	
Watts Electronics S.A.S.	France	
Watts France Holding S.A.S.	France	
Watts Germany Holding GmbH	Germany	
Watts Holding Sweden AB	Sweden	
Watts Industries (Canada), Inc.	Ontario	
Watts Industries Belgium Bvba	Belgium	
Watts Industries Bulgaria EAD	Bulgaria	
Watts Industries Deutschland GmbH	Germany	
Watts Industries Europe BV	Netherlands	
Watts Industries France S.A.S.	France	
Watts Industries Iberica SA	Spain	
Watts Industries Italia S.r.l.	Italy	
Watts Industries Luxembourg	Luxembourg	
Watts Industries Netherlands BV	Netherlands	
Watts Industries Nordic AB	Sweden	
Watts Industries Tunisia S.A.S.	Tunisia	
Watts Industries U.K. Ltd.	United Kingdom	
Watts Industries, Sp. Z.o.o.	Poland	
Watts Instrumentation GmbH	Germany	
Watts Intermes AG	Switzerland	
Watts Intermes GmbH	Austria	
Watts Italy Holding S.r.l.	Italy	
Watts Microflex NV	Belgium	
Watts Plumbing Technologies (Taizhou) Co. Ltd.	China	
Watts Premier, Inc.	Arizona	
Watts Radiant, Inc.	Delaware	
Watts Regulator Co.	Massachusetts	FEBCO, Mueller Steam Specialty, Savard Plumbing Company, Powes, Ames Fire & Waterworks, Sea Tech
Watts U.K. Ltd.	United Kingdom	
Watts Valve (Ningbo) Co., Ltd.	China	
Watts Valve (Taizhou) Co., Ltd.	China	
Watts Water Quality and Conditioning Products, Inc.	Delaware	Flowmatic Systems, Alamo Water Refiners, Topway Global
Watts Water Technologies, Inc.	Delaware	
Webster Valve, Inc.	New Hampshire	

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Watts Water Technologies, Inc.

We consent to the incorporation by reference in the registration statement (Nos. 333-142714; 333-32685; 33-69422; 33-64627; 333-105798; 333-108699; 333-115968; and 33-30377) on Form S-8 and (Nos. 333-85862 and 333-158210) on Form S-3 of Watts Water Technologies, Inc. of our reports dated March 1, 2010, with respect to the consolidated balance sheets of Watts Water Technologies, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2009, which reports appear in the December 31, 2009 annual report on Form 10-K of Watts Water Technologies, Inc.

/s/ KPMG LLP

Boston, Massachusetts
March 1, 2010

Exhibit 31.1

WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO

SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Patrick S. O'Keefe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Watts Water Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2010

/s/ Patrick S. O'Keefe
Patrick S. O'Keefe
Chief Executive Officer

Exhibit 31.2

WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, William C. McCartney, certify that:

1. I have reviewed this Annual Report on Form 10-K of Watts Water Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2010

/s/ William C. McCartney
William C. McCartney
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Watts Water Technologies, Inc. (the "Company") hereby certifies that, to his knowledge, the Company's Annual Report on Form 10-K to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: March 1, 2010

/s/Patrick S. O'Keefe
Patrick S. O'Keefe
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Watts Water Technologies, Inc. (the "Company") hereby certifies that, to his knowledge, the Company's Annual Report on Form 10-K to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: March 1, 2010

/s/ William C. McCartney
William C. McCartney
Chief Financial Officer