

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

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

for the transition period from _____ To _____

Commission File Number 001-12505

CORE MOLDING TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

31-1481870

(State or other jurisdiction
incorporation or organization)

(I.R.S. Employer Identification No.)

800 Manor Park Drive, P.O. Box 28183
Columbus, Ohio

43228-0183

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code (614) 870-5000

N/A

Former name, former address and former fiscal year, if changed since last report.

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 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 Act.

Yes NO

As of November 11, 2008, the latest practicable date, 6,850,896 shares of the registrant's common shares were issued and outstanding.

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Part 1 — Financial Information
Core Molding Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash	\$ —	\$ —
Accounts receivable (less allowance for doubtful accounts: September 30, 2008 - \$160,000; December 31, 2007 - \$334,000)	19,905,714	12,469,502
Inventories:		
Finished and work in process goods	3,103,421	3,333,119
Stores	4,860,906	5,011,291
Total inventories	7,964,327	8,344,410
Deferred tax asset-current portion	1,625,781	1,625,781
Foreign sales tax receivable	1,198,690	959,767
Prepaid expenses and other current assets	566,286	632,329
Total current assets	31,260,798	24,031,789
Property, plant and equipment	67,845,644	59,906,910
Accumulated depreciation	(32,318,839)	(29,691,245)
Property, plant and equipment — net	35,526,805	30,215,665
Deferred tax asset	6,172,389	6,173,514
Goodwill	1,097,433	1,097,433
Customer list / Non-compete	49,518	87,629
Other assets	71,491	89,168
Total	\$ 74,178,434	\$ 61,695,198
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities		
Current portion of long-term debt	\$ 1,895,716	\$ 1,865,716
Notes payable line of credit	8,190,773	2,251,863
Current portion of postretirement benefits liability	489,000	489,000
Accounts payable	8,469,801	8,537,895
Tooling in progress	7,706	102,419
Accrued liabilities:		
Compensation and related benefits	5,103,649	3,350,867
Interest payable	98,376	89,721
Taxes	680,249	23,221
Other	1,048,450	1,067,792
Total current liabilities	25,983,720	17,778,494
Long-term debt	4,489,276	5,913,563
Interest rate swap	251,054	223,566
Postretirement benefits liability	16,934,911	15,952,891
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock — \$0.01 par value, authorized shares — 10,000,000; Outstanding shares: September 30, 2008 and December 31, 2007 - 0	—	—
Common stock — \$0.01 par value, authorized shares - 20,000,000; Outstanding shares: 6,762,790 at September 30, 2008 and 6,727,871 at December 31, 2007	67,628	67,279
Paid-in capital	22,958,433	22,614,127
Accumulated other comprehensive loss, net of income tax benefit	(2,129,747)	(2,209,540)
Treasury stock	(26,179,054)	(26,179,054)
Retained earnings	31,802,213	27,533,872
Total stockholders' equity	26,519,473	21,826,684
Total	\$ 74,178,434	\$ 61,695,198

See notes to consolidated financial statements.

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net Sales:				
Products	\$29,497,102	\$23,744,611	\$84,875,561	\$79,080,653
Tooling	533,461	6,175,333	4,179,133	20,363,658
Total Sales	<u>30,030,563</u>	<u>29,919,944</u>	<u>89,054,694</u>	<u>99,444,311</u>
Cost of sales	23,456,538	25,214,124	71,387,397	84,106,093
Postretirement benefits expense	536,163	626,753	1,692,266	1,828,391
Total cost of sales	<u>23,992,701</u>	<u>25,840,877</u>	<u>73,079,663</u>	<u>85,934,484</u>
Gross Margin	<u>6,037,862</u>	<u>4,079,067</u>	<u>15,975,031</u>	<u>13,509,827</u>
Selling, general and administrative expense	3,076,224	2,667,215	8,621,814	8,273,378
Postretirement benefits expense	109,816	119,381	372,380	391,963
Total selling, general and administrative expense	<u>3,186,040</u>	<u>2,786,596</u>	<u>8,994,194</u>	<u>8,665,341</u>
Income before interest and taxes	2,851,822	1,292,471	6,980,837	4,844,486
Interest income	—	49,103	—	542,166
Interest expense	(179,395)	(228,696)	(540,866)	(491,409)
Income before income taxes	2,672,427	1,112,878	6,439,971	4,895,243
Income tax expense	<u>984,500</u>	<u>395,696</u>	<u>2,171,630</u>	<u>1,699,158</u>
Net Income	<u>\$ 1,687,927</u>	<u>\$ 717,182</u>	<u>\$ 4,268,341</u>	<u>\$ 3,196,085</u>
Net income per common share:				
Basic	<u>\$ 0.25</u>	<u>\$ 0.10</u>	<u>\$ 0.63</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.09</u>	<u>\$ 0.61</u>	<u>\$ 0.33</u>
Weighted average shares outstanding:				
Basic	<u>6,748,590</u>	<u>7,441,871</u>	<u>6,740,225</u>	<u>9,339,984</u>
Diluted	<u>7,048,520</u>	<u>7,727,088</u>	<u>7,054,157</u>	<u>9,658,583</u>

See notes to consolidated financial statements.

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(Unaudited)

	Common Stock Outstanding		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2008	6,727,871	\$67,279	\$22,614,127	\$27,533,872	\$ (2,209,540)	\$(26,179,054)	\$21,826,684
Net income				4,268,341			4,268,341
Hedge accounting effect of the interest rate swaps, net of deferred income tax expense of \$9,209					17,877		17,877
Amortization of unrecognized net loss on post retirement benefit, net of tax expense of \$34,083					61,916		<u>61,916</u>
Comprehensive income							4,348,134
Common shares issued from exercise of stock options	29,000	290	90,210				90,500
Restricted stock	5,919	59	41,292				41,351
Share-based compensation			212,804				212,804
Balance at September 30, 2008	<u>6,762,790</u>	<u>\$67,628</u>	<u>\$22,958,433</u>	<u>\$31,802,213</u>	<u>\$ (2,129,747)</u>	<u>\$(26,179,054)</u>	<u>\$26,519,473</u>

See notes to consolidated financial statements.

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 4,268,341	\$ 3,196,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,683,383	2,622,594
Deferred income taxes	(42,162)	(19,504)
Ineffectiveness of swap	54,573	9,780
Share based compensation	254,154	206,265
Gain on disposal of assets	—	(1,039)
(Gain)/Loss on translation of foreign currency financial statements	(26,077)	7,826
Change in operating assets and liabilities:		
Accounts receivable	(7,436,212)	2,550,481
Inventories	380,083	(713,489)
Prepaid and other assets	(172,882)	(70,005)
Accounts payable	(185,845)	1,749,603
Accrued and other liabilities	2,304,415	(3,313,544)
Postretirement benefits liability	1,078,013	1,548,375
Net cash provided by operating activities	3,159,784	7,773,428
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,794,907)	(2,507,335)
Proceeds from sale of property and equipment	—	1,039
Net cash used in investing activities	(7,794,907)	(2,506,296)
Cash flows from financing activities:		
Proceeds from issuance of common stock	90,500	341,732
Tax effect from exercise of stock options	—	112,217
Payments related to acquisition of stock	—	(26,215,054)
Gross repayments on line of credit	(33,752,230)	(6,480,357)
Gross borrowings on line of credit	39,691,140	12,237,392
Payments of principal on secured note payable	(964,287)	(964,285)
Payment of principal on industrial revenue bond	(430,000)	(395,000)
Net cash provided by (used in) financing activities	4,635,123	(21,363,355)
Net decrease in cash and cash equivalents	—	(16,096,223)
Cash and cash equivalents at beginning of period	—	16,096,223
Cash and cash equivalents at end of period	\$ —	\$ —
Cash paid (received) for:		
Interest	\$ 463,650	\$ (128,812)
Income taxes (net of tax refunds)	\$ 1,561,622	\$ (412,264)
Non cash:		
Fixed asset purchases in accounts payable	\$ 143,827	\$ 69,701

See notes to consolidated financial statements.

Core Molding Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for smaller reporting companies and include all of the information and disclosures required by accounting principles generally accepted in the United States of America for interim reporting, which are less than those required for annual reporting. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Core Molding Technologies, Inc. and its subsidiaries (“Core Molding Technologies” or the “Company”) at September 30, 2008, the results of operations for the three and nine months ended September 30, 2008, and the cash flows for the nine months ended September 30, 2008. The “Consolidated Notes to Financial Statements,” which are contained in the 2007 Annual Report to Shareholders, should be read in conjunction with these consolidated financial statements.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as “reinforced plastics.” Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies operates four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico. The Columbus and Gaffney facilities produce reinforced plastics by compression molding sheet molding compound (“SMC”) in a closed mold process. The Batavia facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding (“RTM”) closed mold process utilizing multiple insert tooling (“MIT”). The Matamoros facility utilizes spray-up and hand lay-up open mold processes and RTM closed mold process to produce reinforced plastic products.

2. Net Income per Common Share

Net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but include the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted net income per common share is as follows:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income	\$1,687,927	\$ 717,182	\$4,268,341	\$3,196,085
Weighted average common shares Outstanding	6,748,590	7,441,871	6,740,225	9,339,984
Plus: dilutive options assumed exercised	550,225	593,700	550,225	593,700
Less: shares assumed repurchased with proceeds from exercise	(283,037)	(324,299)	(281,788)	(304,545)
Plus: dilutive effect of nonvested restricted stock grants	32,742	15,816	45,495	29,444
Weighted average common and potentially issuable common shares outstanding	<u>7,048,520</u>	<u>7,727,088</u>	<u>7,054,157</u>	<u>9,658,583</u>
Basic net income per common share	\$ 0.25	\$ 0.10	\$ 0.63	\$ 0.34
Diluted net income per common share	\$ 0.24	\$ 0.09	\$ 0.61	\$ 0.33

For the nine months ended September 30, 2008 and 2007 there were 25,000 and 33,000 antidilutive options, respectively.

3. Sales

Core Molding Technologies currently has two major customers, Navistar, Inc. (“Navistar”) formerly known as International Truck & Engine Corporation, and PACCAR, Inc. (“PACCAR”). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Navistar product sales	\$17,434,140	\$11,175,119	\$47,533,592	\$34,894,733
Navistar tooling sales	74,750	36,603	2,868,221	8,179,984
Total Navistar sales	17,508,890	11,211,722	50,401,813	43,074,717
PACCAR product sales	7,350,397	7,318,936	22,424,684	21,529,607
PACCAR tooling sales	380,818	6,007,125	840,964	11,521,919
Total PACCAR sales	7,731,215	13,326,061	23,265,648	33,051,526
Other product sales	4,712,565	5,250,556	14,917,285	22,656,313
Other tooling sales	77,893	131,605	469,948	661,755
Total other sales	4,790,458	5,382,161	15,387,233	23,318,068
Total product sales	29,497,102	23,744,611	84,875,561	79,080,653
Total tooling sales	533,461	6,175,333	4,179,133	20,363,658
Total sales	<u>\$30,030,563</u>	<u>\$29,919,944</u>	<u>\$89,054,694</u>	<u>\$99,444,311</u>

4. Comprehensive Income

Comprehensive income represents net income plus the results of certain equity changes not reflected in the Consolidated Statements of Income. The components of comprehensive income, net of tax, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$1,687,927	\$717,182	\$4,268,341	\$3,196,085
Hedge accounting effect of interest rate swaps, net of deferred income tax expense of \$11,996 and \$9,209 for the three and nine months ended September 30, 2008 and net of deferred tax benefit of \$38,860 and \$25,843 for the three and nine months ended September 30, 2007, respectively.	23,286	(61,309)	17,877	(40,386)
Amortization of previously unrecognized postretirement plan loss, net of deferred tax expense of \$11,361 and \$34,083 for the three and nine months ended September 30, 2008 deferred income tax expense of \$24,877 and \$74,630 for the three and nine months ended September 30, 2007, respectively.	20,639	42,908	61,916	128,725
Comprehensive income	<u>\$1,731,852</u>	<u>\$698,781</u>	<u>\$4,348,134</u>	<u>\$3,284,424</u>

5. Postretirement Benefits

The component of expense for all of Core Molding Technologies' postretirement benefits plans for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Pension expense:				
Defined contribution plan				
Contributions	\$ 66,000	\$127,000	\$ 315,000	\$ 354,000
Multi-employer plan				
Contributions	<u>126,000</u>	<u>103,000</u>	<u>389,000</u>	<u>318,000</u>
Total pension expense	<u>192,000</u>	<u>230,000</u>	<u>704,000</u>	<u>672,000</u>
Health and life insurance:				
Service cost	159,000	199,000	477,000	598,000
Interest cost	263,000	249,000	788,000	747,000
Amortization of net loss	<u>32,000</u>	<u>68,000</u>	<u>96,000</u>	<u>203,000</u>
Net periodic benefit cost	<u>454,000</u>	<u>516,000</u>	<u>1,361,000</u>	<u>1,548,000</u>
Total postretirement benefits expense	<u>\$646,000</u>	<u>\$746,000</u>	<u>\$2,065,000</u>	<u>\$2,220,000</u>

Core Molding Technologies' has made payments of approximately \$701,000 to pension plans and \$282,000 for postretirement healthcare costs through September 30, 2008 and expects to make approximately \$177,000 of pension plans payments through the remainder of 2008. The Company also expects to make approximately \$207,000 of postretirement healthcare payments through the remainder of 2008, all of which are accrued.

6. Debt

Interest Rate Swaps

In conjunction with its variable rate Industrial Revenue Bond ("IRB") the Company has entered into an interest rate swap agreement, which is designated as a cash flow hedging instrument. Under this agreement, the Company pays a fixed rate of 4.89% to the counterparty and receives 76% of the 30-day commercial paper rate. The swap term and notional amount matches the payment schedule on the IRB with final maturity in April 2013. The difference paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. While the Company is exposed to credit loss on its interest rate swap in the event of non-performance by the counterparty to the swap, management believes such non-performance is unlikely to occur given the financial resources of the counterparty. The effectiveness of the swap is assessed at each financial reporting date by comparing the commercial paper rate of the swap to the benchmark rate underlying the variable rate of the IRB. Any ineffectiveness of the swap is recorded as an adjustment to interest expense and historically has not been material. Interest expense of \$54,573 and \$9,780 was recorded for the nine months ended September 30, 2008 and 2007, respectively, related to ineffectiveness of the swap. The fair value of the swap was a liability of \$232,485 and \$228,156 as of September 30, 2008 and December 31, 2007, respectively. None of the changes in fair value of the interest rate swap have been excluded from the assessment of hedge effectiveness.

Effective January 1, 2004, the Company entered into an interest rate swap agreement, which is designated as a cash flow hedge of the Company's bank note payable. Under this agreement, the Company pays a fixed rate of 5.75% to the counterparty and receives LIBOR plus 200 basis points. The swap term and notional amount match the payment schedule on the bank note payable with final maturity in January 2011. The interest rate swap is a highly effective hedge because the amount, benchmark interest rate index, term, and repricing dates of both the interest rate swap and the hedged variable interest cash flows are exactly the same. The fair value of the swap was a liability of \$18,569 and an asset of \$4,590 as of September 30, 2008 and December 31, 2007, respectively. While the Company is exposed to credit loss on its interest rate swap in the even of non-performance by the counterparty to the swap, management believes that such non-performance is unlikely to occur given the financial resources of the counterparty.

Line of Credit

At September 30, 2008, the Company had available a \$15,000,000 variable rate bank revolving line of credit scheduled to mature on April 30, 2009. The line of credit bears interest at LIBOR plus 200 basis points. The line of credit is collateralized by all the Company's assets. At September 30, 2008 and December 31, 2007 there was an outstanding balance of \$8,190,773 and \$2,251,863, respectively. The outstanding balance on the line of credit is due April 2009; therefore the Company has classified the outstanding balance as a current liability on its consolidated balance sheet. Included in the balance of the line of credit at September 30, 2008 is approximately \$7,179,000 of spending for the construction of a new manufacturing facility and transition costs related to that project. The Company has commitments from a bank for new loan facilities to fund this project, but has not yet closed on these loans. Upon closing of these loans, proceeds will be used to pay down the balance on the Line of Credit for this spending.

7. Income Taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109" ("FIN 48"). As a result of the implementation of FIN 48 the Company recognized a \$68,000 increase to retained earnings. This increase is represented by the recognition of state tax benefits of \$212,000 and related accrued interest receivable of \$16,000. These benefits generate a federal tax liability of \$60,000. The Company also recorded a liability for unrecognized tax benefits of \$52,000 and \$48,000 related to uncertain state and foreign tax positions, respectively and the amounts were recorded in income tax receivable in the consolidated balance sheet. As of December 31, 2007, the unrecognized tax benefit liability had been reduced to \$24,000 due to the resolution of certain state and foreign tax matters. The unrecognized tax liability of \$24,000 favorably settled in 2008 and therefore was credited to tax expense.

The Company files income tax returns in the U.S. federal jurisdiction, Mexico and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2005 and is subject to income tax examinations by Mexican authorities since the Company began business in Mexico in 2001. The Company does not anticipate that the unrecognized tax benefits will significantly change within the next twelve months. The Company recently was notified that the Company's 2006 Federal income tax return will be audited. The audit is in the initial stages and no findings have been made at this time.

8. Stock Based Compensation

The Company has a Long Term Equity Incentive Plan (the "2006 Plan"), as approved by the shareholders in May 2006. This 2006 Plan replaced the Long Term Equity Incentive Plan (the "Original Plan") as originally approved by the shareholders in May 1997 and as amended in May 2000. The 2006 Plan allows for grants to directors and key employees of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards ("Stock Awards") up to an aggregate of 3,000,000 awards, each representing a right to buy a share of Core Molding Technologies common stock. Stock Awards can be granted under the 2006 Plan through the earlier of December 31, 2015, or the date the maximum number of available awards under the 2006 Plan have been granted.

Stock Options

The following summarizes the activity relating to stock options under the plans mentioned above for the nine months ended September 30, 2008:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2007	620,700	\$ 3.33
Exercised	(29,000)	3.12
Granted	—	—
Forfeited	(16,475)	4.73
Outstanding at September 30, 2008	<u>575,225</u>	<u>\$ 3.30</u>
Exercisable at September 30, 2008	<u>447,310</u>	<u>\$ 3.27</u>

The following summarizes the status of, and changes to, unvested options during the nine months ended September 30, 2008:

	Number Of Shares	Weighted Average Exercise Price
Unvested at December 31, 2007	162,350	\$ 3.46
Granted	—	—
Vested	(23,635)	3.24
Forfeited	(10,800)	4.67
Unvested at September 30, 2008	<u>127,915</u>	<u>\$ 3.40</u>

At September 30, 2008 and 2007, there was \$170,208 and \$315,282, respectively, of total unrecognized compensation cost, related to unvested stock options granted under the plans. Total compensation cost related to incentive stock options for the nine months ended September 30, 2008 and 2007 was \$93,220 and, \$96,773, respectively. This compensation expense is allocated such that \$66,977 and \$70,375 are included in selling, general and administrative expenses and \$26,243 and \$26,398 are recorded in cost of sales for the nine months ended September 30, 2008 and 2007, respectively.

Restricted Stock

In May of 2006, Core Molding Technologies began granting shares of its common stock to certain directors, officers, and key managers in the form of Restricted Stock. These awards are recorded at the market value of Core Molding Technologies' common stock on the date of issuance and amortized ratably as compensation expense over the applicable vesting period.

The following summarizes the status of Restricted Stock grants as of September 30, 2008 and changes during the nine months ended September 30, 2008:

	Number Of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2007	61,416	\$ 7.02
Granted	41,635	7.01
Vested	(5,919)	6.99
Forfeited	—	—
Unvested at September 30, 2008	<u>97,132</u>	<u>\$ 7.02</u>

As of September 30, 2008 and 2007, there was \$421,954 and \$309,976, respectively, of total unrecognized compensation cost related to Restricted Stock granted under the 2006 Plan. The total compensation costs related to restricted stock grants for the nine months ended September 30, 2008 and 2007 was \$160,934 and \$109,492, respectively, all of which was recorded to selling, general and administrative expense.

9. Common Stock

On July 18, 2007, the Company entered into a stock repurchase agreement with Navistar, pursuant to which the Company repurchased 3,600,000 shares of the Company's common stock, par value \$0.01 per share, from Navistar in a privately negotiated transaction at \$7.25 per share, for a total purchase price of \$26,100,000. The Company used approximately \$19 million of existing cash and \$7.1 million from its revolving line of credit to fund the repurchase. The Company also incurred approximately \$115,000 in costs related to the stock repurchase agreement, which is recorded on the balance sheet in treasury stock.

Navistar continues to be a significant stockholder of the Company's common stock with 664,000 shares, or approximately 9.8% of the shares outstanding at September 30, 2008. Navistar is also the Company's largest customer, accounting for approximately 57% of the Company's 2008 year-to-date sales.

On July 16, 2007, the Board of Directors approved a Shareholders Rights Plan (the “Plan”) in conjunction with the approval of the repurchase of shares of stock from Navistar. The Plan was implemented to protect the interests of the Company’s stockholders by encouraging potential buyers to negotiate directly with the Board prior to attempting a takeover. Under the Plan, each shareholder will receive a dividend of one right per share of common stock of the Company owned on the record date, July 18, 2007. The rights will not initially be exercisable until, subject to action by the Board of Directors, a person acquires 15% or more of the voting stock without approval of the Board. If the rights become exercisable, all holders except the party triggering the rights shall be entitled to purchase shares of the Company at a discount. Each right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share. In connection with the adoption of the Rights Agreement, on July 18, 2007, the Company filed a Certificate of Designations of Series A Junior Participating Preferred Stock with the Secretary of State of the State of Delaware.

10. Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (“FIN 48”), “*Accounting for Uncertainty in Income Taxes*,” which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, “*Accounting for Income Taxes*.” FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, and became effective for the Company on January 1, 2007. For benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The impact of the adoption of FIN 48 is discussed in Note 7.

In September 2006, the FASB issued Statement No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about “Fair Value Measurements” (“SFAS No.157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not change the requirements to apply fair value in existing accounting standards. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability.

To increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical asset or liabilities that the company has the ability to access as of the reporting date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3 inputs are unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

SFAS No. 157 became effective for the Company as of January 1, 2008. The provisions of SFAS No. 157 are to be applied prospectively, except for the initial impact on the following three items, which are required to be recorded as an adjustment to the opening balance of retained earnings in the year of adoption: (1) changes in fair value measurements of existing derivative financial instruments measured initially using the transaction price under EITF Issue No. 02-3, (2) existing hybrid financial instruments measured initially at fair value using the transaction price and (3) blockage factor discounts. Under the current disclosure requirements of SFAS 157, the Company’s lone fair value measure is its interest rate swaps. The swaps fall under Level 2 of the fair value hierarchy. For further discussion of the interest rate swaps see Note 6. The adoption of SFAS No. 157 did not have an impact on the Company’s January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP 157-2”), “*Effective Date of FASB Statement No. 157*”, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, we have only adopted the provisions of SFAS No. 157 with respect to our financial assets and financial liabilities that are measured at fair value as of the beginning of fiscal year 2008. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The major categories of non-financial assets and non-financial liabilities that are measured at fair value, for which we have not applied the provisions of SFAS No. 157, are as follows: reporting units measured at fair value in the first step of a goodwill impairment test and long-lived assets measured at fair value for an impairment assessment.

In February 2007, the FASB issued Statement No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“FAS 159”), provides companies with an option to report selected financial assets and liabilities at fair value. The objective of FAS-159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. FAS-159 was effective for fiscal years beginning after November 15, 2007. The application of FAS-159 did not have any impact on the Company’s earnings or financial position, because the Company did not elect to use the fair value option for any financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports regarding business combinations and its effects, including recognition of assets and liabilities, the measurement of goodwill and required disclosures. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Management is currently evaluating the impact of the provisions of SFAS No. 141R on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“SFAS 161”). SFAS 161 is an amendment of FASB Statement No. 133, and requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. The Statement is effective prospectively for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact of the provisions of FAS-161 on the consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, “*Determination of the Useful Life of Intangible Assets*”. FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, “*Goodwill and Other Intangible Assets*”. This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008, and early adoption is prohibited. We are currently evaluating the impact FSP FAS 142-3 will have on our Consolidated Financial Statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (“FAS 162”). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the Company’s financial condition, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents are participating securities, and thus, should be included in the two-class method of computing earnings per share (“EPS”). This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years and requires that all prior period EPS be adjusted retroactively. We do not have share-based payment awards that contain rights to nonforfeitable dividends, thus this FSP is not anticipated to have an impact on our consolidated financial position and results of operations.

Part I — Financial Information
Item 2

Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Conditions and Results of Operations contains certain forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies’ control. These uncertainties and factors could cause Core Molding Technologies’ actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this quarterly report: business conditions in the plastics, transportation, watercraft and commercial product industries; general economic conditions in the markets, sometimes driven by federal and state regulations (including engine emission regulations) in which Core Molding Technologies operates; dependence upon two major customers as the primary source of Core Molding Technologies’ sales revenues; recent efforts of Core Molding Technologies to expand its customer base; failure of Core Molding Technologies’ suppliers to perform their contractual obligations; the availability of raw materials; inflationary pressures; new technologies; competitive and regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract and retain key personnel; compliance changes to federal, state and local environmental laws and regulations; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management’s decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time-to-time in Core Molding Technologies other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of the 2007 Annual Report to Shareholders on Form 10-K.

Overview

Core Molding Technologies is a compounder of sheet molding composite (“SMC”) and molder of fiberglass reinforced plastics. Core Molding Technologies produces high quality fiberglass reinforced molded products and SMC materials for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarkets, personal watercraft, and other commercial products. The demand for Core Molding Technologies’ products is affected by economic conditions in the United States, Canada and Mexico, the cyclicity of markets we serve, regulatory requirements, interest rates and other factors. Core Molding Technologies’ manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, the profitability of Core Molding Technologies’ operations may change proportionately more than revenues from operations.

On December 31, 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of Navistar’s truck manufacturing division since its formation in late 1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998 Core Molding Technologies began compression molding operations at its second facility in Gaffney, South Carolina, and in October 2001, Core Molding Technologies acquired certain assets of Airshield Corporation. As a result of this acquisition, Core Molding Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and resin transfer (“RTM”) closed mold process. In September 2004, Core Molding Technologies acquired substantially all the operating assets of Keystone Restyling Products, Inc., a privately held manufacturer and distributor of fiberglass reinforced products for the automotive-aftermarket industry. In August 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc. a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. The Batavia, Ohio facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding (“RTM”) utilizing multiple insert tooling (“MIT”) closed mold process.

Core Molding Technologies recorded net income for the nine months ended September 30, 2008 of \$4,268,000 or \$.63 per basic and \$.61 per diluted share, compared with \$3,196,000, or \$.34 per basic and \$.33 per diluted share, for the nine months ended September 30, 2007. In July 2007, the Company purchased 3,600,000 shares of its stock from Navistar. This share repurchase resulted in a favorable impact on earnings per share for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, due to lower outstanding shares.

The Company anticipates some softening in sales levels during the fourth quarter of 2008 as a result of the uncertainties in the current economy. However, Core Molding Technologies is planning for a modest improvement in truck demand in 2009. Industry sources are forecasting anywhere from a modest decrease to a significant increase in truck orders for this time period.

Additionally, in connection with the construction of a new manufacturing facility in Mexico, the Company expensed approximately \$375,000 of transition costs through September 30, 2008. The Company expects to incur approximately \$750,000 of additional transition expenses in the fourth quarter of 2008.

Results of Operations

Three Months Ended September 30, 2008, As Compared To Three Months Ended September 30, 2007

Net sales for the three months ended September 30, 2008, totaled \$30,031,000, compared to \$29,920,000 reported for the three months ended September 30, 2007. Included in total sales are tooling project sales of \$533,000 and \$6,175,000 for the three months ended September 30, 2008 and September 30, 2007, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature. Total product sales of \$29,497,000, which excludes tooling project sales, were approximately 24% higher for the three months ended September 30, 2008, compared to \$23,745,000 for the same period a year ago. The increase in product sales is primarily due to increased volume for programs started in 2007.

Sales to Navistar totaled \$17,509,000 for the three months ended September 30, 2008, increasing 56% from \$11,212,000 in sales for the three months ended September 30, 2007. Included in total sales is \$75,000 of tooling sales for the three months ended September 30, 2008 compared to \$37,000 for the same three months in 2007. Product sales to Navistar were \$17,434,000, a 56% increase for the three months ended September 30, 2008 compared to product sales of \$11,175,000 for the same period in 2007. The increase in product sales is primarily due to increased volume for programs started in 2007, as well as some improvement in the demand for other products that the Company manufactures for Navistar.

Sales to PACCAR totaled \$7,731,000 for the three months ended September 30, 2008, decreasing 42% from \$13,326,000 in sales for the three months ended September 30, 2007. Included in total sales is \$381,000 of tooling sales for the three months ended September 30, 2008 compared to \$6,007,000 for the same three months in 2007. Product sales to PACCAR were \$7,350,000 for the three months ended September 30, 2008 compared to \$7,319,000 for the same period of the prior year. Product sales were favorably affected by increased volume for programs started in 2007 but largely offset by a decrease in sales for other products the Company manufactures for PACCAR.

Sales to other customers for the three months ended September 30, 2008 decreased 11% to \$4,790,000 compared to \$5,382,000 for the three months ended September 30, 2007. This decrease is primarily related to decreases in product sales to customers in the marine industry, which was partially offset by increased sales to other customers.

Gross margin was approximately 20% of sales for the three months ended September 30, 2008, compared with 14% for the three months ended September 30, 2007. The increase was due to favorable operating efficiencies and increased fixed cost absorption related to higher product sales. Our manufacturing operations have significant fixed costs such as depreciation, post retirement healthcare costs, salary labor, lease expense and energy that do not change proportionately with sales.

Selling, general and administrative expenses ("SG&A") totaled \$3,186,000 for the three months ended September 30, 2008, increasing from \$2,787,000 for the three months ended September 30, 2007. The increase was primarily due to increases in the Company's profit sharing amounts resulting from improved earnings for the three months ended September 30, 2008 compared to the three months ended September 30, 2007.

Net interest expense totaled \$179,000 for the three months ended September 30, 2008, compared to \$180,000 for the three months ended September 30, 2007. The Company had no interest income for the three months ended September 30, 2008 compared to \$49,000 for the three months ended September 30, 2007 due to cash previously used for investing being used to repurchase Core Molding Technologies stock from Navistar in July of 2007. Interest expense decreased for the three months ending September 30, 2008 compared to the three months ending September 30, 2007 due to lower outstanding balances on the line of credit as well as a reduction in term debt from regularly scheduled principal payments. Partially offsetting the decrease in interest expense was an increase in expense recorded related to ineffectiveness of the IRB interest rate swap. Variable interest rates experienced by Core Molding Technologies with respect to its two long-term borrowing facilities have decreased; however, due to the interest rate swaps Core Molding Technologies has previously entered into, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the three months ended September 30, 2008, are estimated to be approximately 37% of total earnings before taxes. In the three months ended September 30, 2007 income taxes were estimated to be 36% of total earnings before taxes. The effective tax rate increased as a result of a larger proportion of income generated in higher taxing jurisdictions for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007.

Core Molding Technologies recorded net income for the three months ended September 30, 2008 of \$1,688,000 or \$.25 per basic and \$.24 per diluted share, compared with \$717,000, or \$.10 per basic and \$.09 per diluted share, for the three months ended September 30, 2007. Weighted average shares outstanding decreased from 7,441,871 in the third quarter 2007, to 6,748,590 in the same period in 2008 primarily due to the affect of the Company's purchase of Treasury Stock in July 2007.

Nine Months Ended September 30, 2008, As Compared To Nine Months Ended September 30, 2007

Net sales for the nine months ended September 30, 2008, totaled \$89,055,000, representing an approximate 10% decrease from the \$99,444,000 reported for the nine months ended September 30, 2007. Included in total sales are tooling project sales of \$4,179,000 and \$20,364,000 for the nine months ended September 30, 2008 and September 30, 2007, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature. Total product sales of \$84,876,000, which excludes tooling project sales, were approximately 7% higher for the nine months ended September 30, 2008, compared to product sales of \$79,081,000 for the nine months ended September 30, 2007. The increase in product sales is primarily due to increased volume of programs started in 2007.

Sales to Navistar totaled \$50,402,000 for the nine months ended September 30, 2008, compared to \$43,075,000 for the nine months ended September 30, 2007. Included in total sales were \$2,868,000 of tooling sales for the nine months ended September 30, 2008 compared to \$8,180,000 for the nine months ended September 30, 2007. Total product sales to Navistar were \$47,534,000 an increase of 36% for the nine months ended September 30, 2008 compared to product sales of \$34,895,000 for the nine months ended September 30, 2007. The increase in product sales is primarily due to increased volume for programs started in 2007.

Sales to PACCAR totaled \$23,266,000 for the nine months ended September 30, 2008, as compared to \$33,052,000 reported for the nine months ended September 30, 2007. Included in total sales were \$841,000 of tooling sales for the nine months ended September 30, 2008 compared to \$11,522,000 for the nine months ended September 30, 2007. Total product sales to PACCAR were \$22,425,000 an increase of 4% for the nine months ended September 30, 2008 compared to product sales of \$21,530,000 for the nine months ended September 30, 2007. The increase in product sales is due to increased volume for programs started in 2007, partially offset by a decrease in sales for other products the Company manufactures for PACCAR.

Sales to other customers for the nine months ended September 30, 2008, decreased approximately 34% to \$15,387,000 from \$23,318,000 for the nine months ended September 30, 2007. This decrease is primarily related to decreases in product sales to customers in the marine industry of approximately \$5,360,000 and a decrease in product sales to an automotive customer of \$1,115,000.

Gross margin was approximately 18% of sales for the nine months ended September 30, 2008, compared with 14% for the nine months ended September 30, 2007. The increase was due to a combination of factors including higher fixed cost absorption due to product sales volumes and production efficiencies. Our manufacturing operations have significant fixed costs such as depreciation, post retirement healthcare costs, salary labor, lease expense and energy that do not change proportionately with sales. Also contributing to the increase in gross margin was the dilutive effect tooling project revenue has on gross margin for the nine months ended September 30, 2007. Historically, Core Molding Technologies has not achieved margins on tooling projects similar to margins on its sales of its products.

Selling, general and administrative expenses (“SG&A”) totaled \$8,994,000 for the nine months ended September 30, 2008, increasing from \$8,665,000 for the nine months ended September 30, 2007. The increase was primarily due to increases in the Company’s profit sharing amounts resulting from improved earnings for the nine months ended September 30, 2008 compared to the three months ended September 30, 2007.

Net interest expense totaled \$541,000 for the nine months ended September 30, 2008, compared to net interest income of \$51,000 for the nine months ended September 30, 2007. The Company had no interest income for the nine months ended September 30, 2008 compared to \$542,000 for the nine months ended September 30, 2007 due to cash previously used for investing being used to repurchase Core Molding Technologies stock from Navistar in July of 2007. Interest expense increased to \$541,000 compared to \$491,000 for the nine months ended September 30, 2007. The increase in interest expense is primarily a result of borrowings on the line of credit which were used to finance a portion of the stock repurchase from Navistar. Also contributing to the increase is additional expense recorded related to ineffectiveness of the IRB interest rate swap. Variable interest rates experienced by Core Molding Technologies with respect to its two long-term borrowing facilities have decreased; however, due to the interest rate swaps Core Molding Technologies has entered into, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the nine months ended September 30, 2008, are estimated to be approximately 34% of total earnings before taxes or \$2,172,000. In the nine months ended September 30, 2007 income taxes were estimated to be 35% of total earnings before taxes or \$1,699,000.

Core Molding Technologies recorded net income for the nine months ended September 30, 2008 of \$4,268,000 or \$.63 per basic and \$.61 per diluted share, compared with \$3,196,000, or \$.34 per basic and \$.33 per diluted share, for the nine months ended September 30, 2007. Weighted average shares outstanding decreased from 9,339,984 in the three months ended September 30, 2007, to 6,740,225 in the same period in 2008 primarily due to the Company’s purchase of Treasury Stock in July 2007.

Liquidity and Capital Resources

The Company’s primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses and capital expenditures.

As widely reported, financial markets in the United States, Europe and Asia have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address extreme market conditions that include severely restricted credit and declines in real estate values. While currently these conditions have not impaired the Company’s ability to access credit markets and finance our operations, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies, which may impact the Company’s ability to borrow in the future.

Cash provided by operating activities for the nine months ended September 30, 2008 totaled \$3,160,000. Net income contributed \$4,268,000 to operating cash flow. Non-cash deductions of depreciation and amortization also contributed \$2,683,000 to operating cash flow. In addition, the increase in the postretirement healthcare benefits liability of \$1,078,000 is not a current cash obligation, and this item will not be a cash obligation until additional employees retire and begin to utilize these benefits. Changes in working capital decreased cash provided by operating activities by \$5,110,000. Changes in working capital primarily relate to an increase in accounts receivable due to increased product sales for the three months ended September 30, 2008 compared to the three months ended December 31, 2007 which is partially offset by lower accrued and other liabilities.

Cash used in investing activities for the nine months ended September 30, 2008 was \$7,795,000, primarily representing purchases related to the Company’s construction of a new manufacturing facility in Mexico. The Company previously announced plans to invest approximately \$20.2 million in the new facility that will replace its existing leased facility in Mexico and add compression molding capabilities. To finance this project, the Company has received bank financing commitments for new borrowings. Currently, the Company is using its line of credit until the new financing has been closed. The Company plans to spend an additional \$6,095,000 for the remainder of the year for capital projects, \$5,301,000 of which relates to the Company’s new facility in Mexico. The planned capital additions are expected to be funded from the new financing, borrowings on the Company’s line of credit and cash provided by operations. The Company may also undertake other capital improvement projects in the future as deemed necessary and appropriate.

Financing activities increased cash by \$4,635,000. This increase is related to net borrowings of \$5,939,000 on the line of credit. This was partially offset by principal repayments on its secured note payable of \$964,000 and its industrial revenue bond of \$430,000.

At September 30, 2008, the Company had no cash on hand and a line of credit of \$15,000,000, with a scheduled maturity of April 30, 2009. At September 30, 2008, Core Molding Technologies had outstanding borrowings of \$8,191,000 on this line of credit.

As of September 30, 2008, the Company was in compliance with its financial debt covenants for the secured note payable, the line of credit and letter of credit securing the industrial revenue bond and certain equipment leases. The covenants relate to maintaining certain financial ratios. Management expects Core Molding Technologies to meet these covenants for the year 2008. However, if a material adverse change in the financial position of Core Molding Technologies should occur, Core Molding Technologies' liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

Recently Issued Accounting Standards

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes*," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "*Accounting for Income Taxes*." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, and became effective for the Company on January 1, 2007. For benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The impact of the adoption of FIN 48 is discussed in Note 7.

In September 2006, the FASB issued Statement No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about "Fair Value Measurements" ("SFAS No.157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not change the requirements to apply fair value in existing accounting standards. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability.

To increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical asset or liabilities that the company has the ability to access as of the reporting date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3 inputs are unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

SFAS No. 157 became effective for the Company as of January 1, 2008. The provisions of SFAS No. 157 are to be applied prospectively, except for the initial impact on the following three items, which are required to be recorded as an adjustment to the opening balance of retained earnings in the year of adoption: (1) changes in fair value measurements of existing derivative financial instruments measured initially using the transaction price under EITF Issue No. 02-3, (2) existing hybrid financial instruments measured initially at fair value using the transaction price and (3) blockage factor discounts. Under the current disclosure requirements of SFAS 157, the Company's lone fair value measure is its interest rate swaps. The swaps fall under Level 2 of the fair value hierarchy. For further discussion of the interest rate swaps see Note 6. The adoption of SFAS No. 157 did not have an impact on the Company's January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP 157-2”), “*Effective Date of FASB Statement No. 157*”, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, we have only adopted the provisions of SFAS No. 157 with respect to our financial assets and financial liabilities that are measured at fair value as of the beginning of fiscal year 2008. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The major categories of non-financial assets and non-financial liabilities that are measured at fair value, for which we have not applied the provisions of SFAS No. 157, are as follows: reporting units measured at fair value in the first step of a goodwill impairment test and long-lived assets measured at fair value for an impairment assessment.

In February 2007, the FASB issued Statement No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“FAS 159”), provides companies with an option to report selected financial assets and liabilities at fair value. The objective of FAS-159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. FAS-159 was effective for fiscal years beginning after November 15, 2007. The application of FAS-159 did not have any impact on the Company’s earnings or financial position, because the Company did not elect to use the fair value option for any financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports regarding business combinations and its effects, including recognition of assets and liabilities, the measurement of goodwill and required disclosures. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Management is currently evaluating the impact of the provisions of SFAS No. 141R on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“SFAS 161”). SFAS 161 is an amendment of FASB Statement No. 133, and requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. The Statement is effective prospectively for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact of the provisions of FAS-161 on the consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, “*Determination of the Useful Life of Intangible Assets*”. FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, “*Goodwill and Other Intangible Assets*”. This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008, and early adoption is prohibited. We are currently evaluating the impact FSP FAS 142-3 will have on our Consolidated Financial Statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (“FAS 162”). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the Company’s financial condition, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents are participating securities, and thus, should be included in the two-class method of computing earnings per share (“EPS”). This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years and requires that all prior period EPS be adjusted retroactively. We do not have share-based payment awards that contain rights to nonforfeitable dividends, thus this FSP is not anticipated to have an impact on our consolidated financial position and results of operations.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts receivable allowances: Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company recorded an allowance for doubtful accounts of \$160,000 at September 30, 2008 and \$334,000 at December 31, 2007. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company has reduced accounts receivable for chargebacks by \$1,705,000 at September 30, 2008 and \$1,576,000 at December 31, 2007.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage.

Goodwill and Long-Lived Assets: Management tests for impairment of goodwill annually on December 31st or as events occur or circumstances change, as defined by SFAS 142, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Additionally, management tests its long-lived assets for impairment if an indicator of impairment exists as defined by SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets". Should actual results differ from the assumptions used to determine impairment, additional provisions may be required. In particular, decreases in future cash flows from operating activities below the assumptions could have an adverse effect on the Company's ability to recover its long-lived assets. The Company did not have an indicator of impairment as of September 30, 2008 and has not recorded any impairment to goodwill or long-lived assets for the nine months ended September 30, 2008.

Self-Insurance: The Company is self-insured with respect to most of its Columbus and Batavia, Ohio and Gaffney, South Carolina medical and dental claims and Columbus and Batavia, Ohio workers' compensation claims. The Company has recorded an estimated liability for self-insured medical and dental claims incurred but not reported and worker's compensation claims incurred but not reported at September 30, 2008 and December 31, 2007 of \$1,127,000 and \$1,141,000, respectively.

Post retirement benefits: Management records an accrual for postretirement costs associated with the health care plan sponsored by Core Molding Technologies for certain Columbus facility employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on Core Molding Technologies' operations. The effect of a change in healthcare costs is described in Note 11 of the Consolidated Notes to Financial Statements, which are contained in the 2007 Annual Report to Shareholders. Core Molding Technologies recorded a liability for postretirement healthcare benefits based on actuarially computed estimates of \$17,424,000 at September 30, 2008 and \$16,442,000 at December 31, 2007.

Revenue Recognition: Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company's balance sheet. Tooling in progress can fluctuate significantly from period to period and is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At September 30, 2008 the Company has recorded a net liability related to tooling in progress of \$8,000, which represents approximately \$3,573,000 of progress tooling billings and \$3,565,000 of progress tooling expenses. At December 31, 2007 the Company had recorded a net liability related to tooling in progress of \$102,000, which represents approximately \$4,738,000 of progress tooling billings and \$4,636,000 of progress tooling expenses.

Income taxes: The Consolidated Balance Sheet at September 30, 2008 and December 31, 2007, includes a deferred tax asset of \$7,798,000 and \$7,799,000, respectively. The Company performs analyses to evaluate the balance of deferred tax assets that will be realized. Such analyses are based on the premise that the company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. For more information, refer to Note 10 in Core Molding Technologies 2007 Annual Report to Shareholders.

Part I — Financial Information
Item 3

Quantitative and Qualitative Disclosures About Market Risk

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following five items that are sensitive to market risks: (1) Industrial Revenue Bond ("IRB") with a variable interest rate. The Company has an interest rate swap to fix the interest rate at 4.89%; (2) revolving line of credit, which bears a variable interest rate; (3) bank note payable with a variable interest rate. The Company entered into a swap agreement effective January 1, 2004, to fix the interest rate at 5.75%; (4) foreign currency purchases in which the Company purchases Mexican pesos with United States dollars to meet certain obligations that arise due to operations at the facility located in Mexico; and (5) raw material purchases in which Core Molding Technologies purchases various materials for use in production. The prices of these resins are affected by the prices of crude oil and natural gas as well as processing capacity versus demand.

Assuming a hypothetical 10% increase in commodity prices, Core Molding Technologies would be impacted by an increase in raw material costs, which would have an adverse affect on operating margins.

Assuming a hypothetical 10% change in short-term interest rates in both the nine month periods ended September 30, 2008 and 2007, interest expense would not change significantly, as the interest rate swap agreements would generally offset the impact. Core Molding Technologies' has utilized a revolving line of credit which has a balance of \$8,191,000 at September 30, 2008. The interest rate is impacted by LIBOR. A hypothetical 10% change in short-term interest rates in 2008 could impact the interest paid by the Company, however, it would not have a material effect on earnings before tax.

Part I — Financial Information
Item 4T

Controls and Procedures

As of the end of the period covered by this report, the Company has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures were (i) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act was accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and (ii) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

There were no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Economic conditions and disruptions in the financial markets could have an adverse effect on our business, financial condition and results of operations.

The financial markets could experience a period of turmoil, including the bankruptcy, restructuring or sale of certain financial institutions and the intervention of the U.S. federal government. While the ultimate outcome of these types of events in the financial market cannot be predicted, they could have a material adverse effect on our liquidity and financial condition if our ability to borrow money from our existing lenders were to be impaired. A crisis in the financial markets may also have a material adverse impact on the availability and cost of credit in the future. Our ability to pay our debt or refinance our obligations will depend on our future performance, which could be affected by, among other things, prevailing economic conditions. A financial crisis may also have an adverse effect on the U.S. and world economies, which would have a negative impact on demand for our products. In addition, tightening of credit markets may have an adverse impact on our customers' ability to finance the purchase of new heavy-duty trucks or our suppliers' ability to provide us with raw materials, either of which could adversely affect our business and results of operations

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

See Index to Exhibits

SIGNATURES

Pursuant to the requirements 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.

CORE MOLDING TECHNOLOGIES, INC.

Date: November 12, 2008

By: /s/ Kevin L. Barnett
Kevin L. Barnett
President, Chief Executive Officer, and Director

Date: November 12, 2008

By: /s/ Herman F. Dick, Jr.
Herman F. Dick, Jr.
Vice President, Secretary, Treasurer and Chief
Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description	Location
2(a)(1)	Asset Purchase Agreement Dated as of September 12, 1996, As amended October 31, 1996, between Navistar and RYMAC Mortgage Investment Corporation ¹	Incorporated by reference to Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809)
2(a)(2)	Second Amendment to Asset Purchase Agreement dated December 16, 1996 ¹	Incorporated by reference to Exhibit 2(a)(2) to Annual Report on Form 10-K for the year-ended December 31, 2001
2(b)(1)	Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2-B to Registration Statement on Form S-4 (Registration No. 333-15809)
2(b)(2)	First Amendment to Agreement and Plan of Merger dated as of December 27, 1996 Between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2(b)(2) to Annual Report on Form 10-K for the year ended December 31, 2002
2(c)	Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation	Incorporated by reference to Exhibit 1 to Form 8-K filed October 31, 2001
3(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. As filed with the Secretary of State of Delaware on October 8, 1996	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(2)	Certificate of Amendment of Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on November 6, 1996	Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(3)	Certificate of Incorporation of Core Materials Corporation, reflecting Amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only]	Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(4)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
3(a)(5)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007	Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007
3(b)	Amended and Restated By-Laws of Core Molding Technologies, Inc.	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed January 4, 2008
4(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(2)	Certificate of Amendment of Certificate of Incorporation of Core Materials Corporation as filed with the Secretary of State of Delaware on November 6, 1996	Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(3)	Certificate of Incorporation of Core Materials Corporation, reflecting amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only]	Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(4)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
4(a)(5)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007	Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007
4(b)	Stockholder Rights Agreement dated as of July 18, 2007, between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company	Incorporated by reference to Exhibit 4.1 to Current Report From 8-K filed July 19, 2007
10(a)	Maximum Guaranteed Price Design Construction Contract, effective August 27, 2008, between Corecomposites de Mexico, S. de R.L. de C.V. and AS construcciones Del Norte, S.A. de C.V.	Filed Herein
11	Computation of Net Income per Share	Exhibit 11 omitted because the required information is Included in Notes to Financial Statement
31(a)	Section 302 Certification by Kevin L. Barnett, President, Chief Executive Officer, and Director	Filed Herein

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
31(b)	Section 302 Certification by Herman F. Dick, Jr., Vice President, Secretary, Treasurer, and Chief Financial Officer	Filed Herein
32(a)	Certification of Kevin L. Barnett, Chief Executive Officer of Core Molding Technologies, Inc., dated November 12, 2008, pursuant to 18 U.S.C. Section 1350	Filed Herein
32(b)	Certification of Herman F. Dick, Jr., Chief Financial Officer of Core Molding Technologies, Inc., dated November 12, 2008, pursuant to 18 U.S.C. Section 1350	Filed Herein

¹ The Asset Purchase Agreement, as filed with the Securities and Exchange Commission at Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including, the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement, identified in the Asset Purchase Agreement) and schedules (including, those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement). Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission (“SEC”) upon request.

MAXIMUM GUARANTEED PRICE DESIGN CONSTRUCTION CONTRACT entered into by and between **CORECOMPOSITES DE MEXICO, S. DE R.L. DE C.V.**, represented herein by Mr. **STEPHEN JOHN KLESTINEC** in his capacity as General Attorney-in-Fact, hereinafter referred to as **“THE OWNER”** and **AS CONSTRUCCIONES DEL NORTE, S.A. DE C.V.**, represented by Mr. **VICTOR ALFONSO SANCHEZ-RUELAS**, in his capacity as General Attorney-in-Fact, hereinafter referred to as **“THE CONTRACTOR”**, all parties with legal capacity to enter into and commit themselves pursuant to this Contract, same which is governed by the following Recitals and Clauses:

RECITALS

I. The OWNER through its legal representative hereby declares that:

- A. It is a corporation organized and existing in accordance with the laws of the Republic of Mexico and that it has its corporate domicile in Prol. Ave. Uniones y Av. Michigan, Parque Industrial del Norte, Matamoros, State of Tamaulipas, Mexico. That it was incorporated through Public Instrument number 7,720, dated October 15, 2001, granted before Mr. José R. Treviño-Rodríguez, Notary Public number 78, for the city of Matamoros, State of Tamaulipas, which document was recorded in the Public Registry of Property and Commerce of Matamoros, Tamaulipas, under number 558, volume 3-012, Book First, Commerce Section on October 23, 2001, a copy of which is attached hereto as **Exhibit “A”**.
- B. That in order to comply with its corporate purpose, its principal has decided to carry out the construction of an industrial production facility with an approximate area of 437,270.60 square feet (40,623.43 square meters) on a tract of land owned by OWNER located in Lote 1 de la Manzana 6, Parque Industrial La Ventana, H. Matamoros, State of Tamaulipas, Mexico, with a surface area of 90,902.95 square meters. Said construction and site are detailed in the documents, drawings and specifications approved by the OWNER which are attached hereto and form a part hereof as **Exhibit “B”**, and which will hereinafter be referred to as **“The Work”**.
- C. That it appears represented herein by Mr. Stephen John Klestinec, who evidenced his capacity as attorney in fact through Public Instrument number 3,895, dated July 22, 2008, granted before Mr. Jorge Luis Velarde-Danache, Notary Public number 150, for the city of Matamoros, State of Tamaulipas, which document was recorded in the Public Registry of Property and Commerce of Matamoros, Tamaulipas, under number 334, volume 3-007, Book First, Commerce Section on August 7, 2008, a copy of which is attached hereto as **Exhibit “C”**.
- D. That it wishes to enter into this Contract with the CONTRACTOR, in order for it to perform the construction of the Work in accordance with the terms and

conditions set forth herein.

II. The CONTRACTOR through its legal representative hereby declares that:

- A. It is a corporation organized and existing in accordance with the laws of the Republic of Mexico and that it has its corporate domicile in Calixto de Ayala #105, Altos B, Colonia San Francisco, 87350, H. Matamoros, State of Tamaulipas, Mexico. That it was incorporated through Public Instrument number 488, dated June 19, 1997, granted before Mr. Jesus Guillermo Villarreal-Rodriguez, Notary Public number 47, for the city of H. Matamoros, State of Tamaulipas, which document was recorded in the Public Registry of Property and Commerce of H. Matamoros, State of Tamaulipas, under number 87, volume 87, Book 1 Second Auxiliary, Commerce Section on June 30, 1997, copy of which is attached hereto as **Exhibit "D"**.
- B. That CONTRACTOR has filed and is up to date on the following legal registrations, as indicated with the identification numbers set forth below:
 - (i) Federal Taxpayer Registration: ACN970619-841
 - (ii) Employer Registration at the IMSS: E9427311100
- C. That it has the experience to provide technical, consulting, project management, architectural, engineering and general construction services, pursuant to its corporate purpose, and that it has the machinery, material, experience, technology, and the necessary personnel and means to properly execute the Work subject matter of this Contract.
- D. That it appears represented herein by Mr. Victor Alfonso Sanchez-Ruelas who evidenced his capacity as attorney in fact through Public Instrument number 530, dated March 9, 1999, granted before Mr. Jesus Guillermo Villarreal-Rodriguez, Notary Public number 47, for the city of H. Matamoros, State of Tamaulipas, which document was recorded in the Public Registry of Property and Commerce of H. Matamoros, State of Tamaulipas, under number 188, volume 188, Book 1 Second Auxiliary, Commerce Section on May 11, 2000, a copy of which is attached hereto as **Exhibit "G"**.
- D. That it wishes to enter into this Contract with OWNER in order for it to perform the construction of the Work, in accordance with the terms and conditions set forth in this Contract and in the Contract Documents.

III. Both parties state, that:

- A. In the execution of this Contract, there has been no duress, violence, bad faith or error amongst them.
- B. In order to carry out the construction referred to in Recital I, paragraph B, they

hereby formalize this Contract, which will be ruled by the following:

CLAUSES

CLAUSE 1. DEFINITION OF TERMS.

In this Contract, the following expressions shall have the following meanings, which will apply both in the singular and the plural form:

- a. The term "OWNER", as used herein, shall mean Core Composites De Mexico, S. de R.L. de C.V., same company that has title to the property where the Work will take place.
- b. The term "OWNER'S REPRESENTATIVE", as used herein, shall mean Mr. Mark Patrick Murfitt, or any other delegated representative of the OWNER which is notified in writing to the CONTRACTOR and Construction Manager by the OWNER. In compliance with the Contract Document, the OWNER'S REPRESENTATIVE will be fully authorized and empowered to make decisions on behalf of OWNER in connection with the performance of the Work, particularly to make and acknowledge entries in the official log book of the job as provided for herein, to request and to authorize changes, additions or deletions to the WORK pursuant to the provisions hereof, to execute all required documentation and to receive portions or the entirety of the WORK from the CONTRACTOR, as provided in this Contract. Communications given to the CONTRACTOR'S REPRESENTATIVE and/or OWNER'S REPRESENTATIVE and/or Construction Manager shall be as binding as if given to the other party's representative and/or the Construction Manager, if not placed in the Daily Activity Log; all other communications and/or notices not placed in the Daily Activity Log shall be confirmed in writing by the receiving party.

GERENTES Y COORDINADORES, S.C. (the "Construction Manager") will provide administration services of the Contract as described in the Contract Documents, and shall have the authority described in Clause Ninth-Bis during the construction process.

The CONTRACTOR will have control over or charge of and will be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work. The Construction Manager will be responsible for the oversight of the Work in accordance with the Contract Documents under the terms of the Construction Management Agreement.

Until changed or removed through written notice from the OWNER to the CONTRACTOR, the OWNER'S REPRESENTATIVE will be Mr. Mark Patrick Murfitt and the Construction Manager will be GERENTES Y COORDINADORES, S.C and their representatives and designees.

- c. The term “CONTRACTOR”, as used herein, shall mean AS Construcciones del Norte, S.A. de C.V., and any Subcontractors employed by it.
- d. The term “CONTRACTOR’S REPRESENTATIVE”, as used herein, shall mean any representative of the CONTRACTOR, notified in writing by the CONTRACTOR to the OWNER. The CONTRACTOR’S REPRESENTATIVE will be fully authorized and empowered to make decisions on behalf of the CONTRACTOR in regards to the performance of the Work, particularly to make and acknowledge entries in the official log book for the job as provided for herein, to receive from the OWNER’S REPRESENTATIVE requests for changes, additions or deletions to the Work, to submit quotations for the execution of said changes, and to deliver to the OWNER’S REPRESENTATIVE portions or the entirety of the WORK, as provided for herein. Until changed or removed by written notice from the CONTRACTOR to the OWNER, the CONTRACTOR’S REPRESENTATIVE will be Mr. Bruno Fuentes-Garza. The CONTRACTOR’S REPRESENTATIVE shall not be removed or replaced from the project without the OWNER’S and Construction Manager’s expressed written consent, which consent will not be unreasonably withheld. Likewise, the CONTRACTOR’S REPRESENTATIVE shall be removed at OWNER’S and Construction Manager’s express written request to CONTRACTOR in case that he has demonstrated to be negligent and/or inefficient while performing the Work.
- e. The term “Subcontractor” includes only those having a direct or indirect contract with the CONTRACTOR, who perform services or furnish material worked to a special design according to the plans and specifications of the Work, but does not include one who merely furnish materials. In any event, the CONTRACTOR shall remain liable for the proper and punctual performance of the work assigned to any Subcontractor hired by CONTRACTOR. CONTRACTOR agrees to neither assign all or part of the Work to any third parties. CONTRACTOR shall deliver to OWNER a list of all Subcontractors hired for the Work, and OWNER shall have the right to reject any Subcontractor therein included. In the event that CONTRACTOR hires a Subcontractor not stated in the list provided to OWNER, it shall notify this to OWNER, who shall have the right to reject said Subcontractor. OWNER’S rejection of any Subcontractor must be with a reasonable cause.
- f. The term “Supplier” shall include those parties providing only material or equipment for the performance of the Work pursuant to Clause 2 of this Contract.
- g. The term “Days” shall mean legal working days in Mexico.
- h. The term “Work” shall mean the construction in the property of the OWNER in the terms provided for in this Contract, and the documents, drawings, and specifications that are attached hereto and made a part hereof as **Exhibit “B”**, such term shall also include all labor, materials, equipment and services provided or to be provided by

the CONTRACTOR to fulfill its obligations.

- i. The term "Building" shall mean the industrial facility to be constructed pursuant to this Contract.
- j. The term "Premises" shall mean the location of the land where the Work will take place.
- k. The term "Daily Activity Log" shall mean the Book where the representatives of the parties shall keep a daily record of activities and notices related to the Work, same which must be signed by such representatives in each case.
- l. The term "Specifications" shall mean the written requirements for materials, equipment, construction systems, standards and workmanship for the Work, and performance of related services.
- m. The "Project" consists of the construction of the Core Composites facility, in Matamoros, Tamaulipas, as shown in the Contract Documents prepared by the CONTRACTOR dated August 26, 2008 and the Performance Criteria Bid Documents attached to that certain Letter of Intent entered into by CONTRACTOR and OWNER on June 26, 2008.
- n. The "Contract Documents" consist of the Contract between OWNER and CONTRACTOR (hereinafter the "Contract"), the General Requirements and Performance Criteria Bid Documents attached to that certain Letter of Intent entered into by CONTRACTOR and OWNER on June 26, 2008, the Drawings, Specifications, addenda issued prior to execution of the Contract, the Construction Management Agreement other documents listed in the Agreement and Modifications issued after execution of the Contract and the documents prepared by CONTRACTOR if accepted by the OWNER.

A Modification is:

- (1) a written amendment to the Contract signed by both parties, or a
- (2) a Change Order,

Unless specifically enumerated in the Contract, the Contract Documents do not include other documents such as bidding requirements (advertisement or invitation to bid, Instructions to Bidders, sample forms, the CONTRACTOR'S bid or portions of addenda relating to bidding requirements).

The Contract Documents form the Contract for the construction. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. The Contract may be amended or modified only by a Modification. The Contract Documents shall not be construed to create a contractual relationship of any kind

between:

- (1) The Construction Manager and CONTRACTOR,
- (2) Between the OWNER and Subcontractor or
- (3) Between any persons other than the OWNER and CONTRACTOR.

- o. The “Drawings” are the graphic and pictorial portions of the Contract Documents, wherever located and whenever issued, showing the design, location and dimensions of the Work, generally including plans, elevations, sections, details, schedules and diagrams.
- p. The “Project Manual” is the volume usually assembled for the Work, which may include the bidding requirements, sample forms, Conditions of the Contract and Specifications.
- q. “Shop Drawings” are drawings, diagrams, schedules and other data specially prepared for the Work by the CONTRACTOR or a Subcontractor, Sub-subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.
- r. “Product Data” are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the CONTRACTOR to illustrate materials or equipment for some portion of the Work, if applicable.
- s. “Samples” are physical examples, which illustrate materials, equipment or workmanship and establish standards by which the Work will be judged, if applicable.
- t. “Shop Drawings, Product Data, Samples” and similar submittals are not Contract Documents. The purpose of their submittal is to demonstrate for those portions of the Work for which submittals are required the way the CONTRACTOR proposes to conform to the information given and the design concept expressed in the Contract Documents.
- u. “Punch List” items are any items of the Work that have not been fully completed when the Work is at a stage of Substantial Completion, which shall be completed by CONTRACTOR no later than 30 Days after the Substantial Completion has been declared and accepted.
- v. “Beneficial Occupancy” stage of the Work, as described in the Drawings and Specifications, upon which OWNER may initiate the installation of its machinery and equipment therein. At this time foundations, steel structure, floors (concrete slab), walls and roofs, including doors, shall be substantially completed. The architectural, electrical and mechanical Works shall be completed to the extent necessary for safe and proper installation by OWNER of its machinery and equipment and commence production testing and employee training, and shall continue in process without interfering with OWNER’S installation of its

machinery and equipment at the manufacturing area. The Building shall be watertight and temporary sanitary facilities shall be available, having the Building all utilities connected and operating.

- w. "Substantial Completion", Means that the Building is fully functional and in operation. OWNER has full occupancy and operation of the Building and electrical/mechanical systems, including office area, are possible and all systems have been properly tested, started and are operating, requiring only minor "Punch List" items to be concluded not to exceed 1-2% of the Work, which shall not interfere with OWNER'S intended use of the Project.
- x. "Final Completion", Means that all Punch List items have been totally completed.
- y. "Final Inspection", Means those studies, test and examinations of the Project, Premises, Building and Work carried out by the OWNER and/or the Construction Manager in order to receive any part or stage of the Building from by CONTRACTOR upon its termination.
- z. "Change Order", shall mean any modification in the Work instructed by OWNER'S REPRESENTATIVE and Construction Manager as set forth in Clause 17 hereof, which instructions must be in writing as per the template attached hereto as **Exhibit "E"**. Said Change Order must be duly signed by the OWNER'S representative and/or the Construction Manager's representatives herein authorized; and must be signed in acceptance by the CONTRACTOR'S representative in order for such Change Order to be binding amongst the parties.
- aa. "Force Majeure" shall mean fire, flood, unavoidable casualty, pestilence, earthquake, Acts of God, civil commotion, national emergency, warlike operation, invasion, rebellion, hostilities, military or up surged power, sabotage, governmental regulations or controls, labor disturbances, strikes, or other similar circumstances or events beyond the reasonable control of the parties. Without limitation, Force Majeure shall exclude bankruptcy or other financial incapacity of either party or its consultants or subcontractors.

CLAUSE 2. INTENT.

The CONTRACTOR agrees to perform, either by itself or by subcontracting, the Work, including but not limited to all civil and site work required for the completion of the Work, as per instructions received from the OWNER under the Contract Documents. The CONTRACTOR has visited and examined all conditions of the construction site and area, and is satisfied with respect to all matters necessary for carrying out the Work, including but not limited to general working conditions, labor requirements, accessibility, conditions of the Premises, obstructions, drainage conditions, actual levels, excavations, fillings, easements, and all other related aspects. The intent of this Contract is to include in the Work all items necessary for the proper execution and completion thereof and therefore the performance of the Work shall include all items defined in **Exhibit "B"** and in this

Contract, as being necessary to produce the intended results. The CONTRACTOR has investigated all other conditions as to the character of the site (including concealed and subsurface conditions), the character and extent of the OWNER'S and other CONTRACTOR'S operations in the area in connection with the project, and has taken all these matters into account before the execution of this Contract for which CONTRACTOR is responsible for all "mark outs", such as designation of corner points, axels, lot limits, etc. No allowance or extra payment will be made due to any such items or conditions occasioned by the CONTRACTOR'S failure to make such comparison and examination on account of interferences Subcontractors actually contracted by it, or by reason of any error, omission or oversight on the CONTRACTOR'S part.

Both parties agreed to contract an expert to carry out soil studies for the press pits foundations. If from the expert's opinion the initial Design and Specifications in regards to the press pits foundations are modified in any manner whatsoever, said modification shall have an impact on the cost of the press pits. In the event that a modification is required for the press pits, the parties shall agree through a Change Order as set forth in this Contract.

Execution of the Contract by the CONTRACTOR is a representation that the CONTRACTOR has visited the site, has become familiar with local conditions under which the Work is to be performed and correlated personal observations with requirements of the Contract Documents.

The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the CONTRACTOR. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the CONTRACTOR shall be required only to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the intended results.

In the event of conflicts or discrepancies among the Contract Documents, interpretations will be based on the following priorities:

1. The Contract;
2. Drawings and Specifications
3. Change Order
4. Addenda with those of later date having precedence over those of earlier date;
5. The General Requirements;

In the case of an inconsistency between Drawings and Specifications or within either of the Contract Documents not clarified by addendum or Change Order, the CONTRACTOR shall promptly notify such inconsistency to the OWNER; the parties shall review same and resolve same in order not to delay the Work. If the parties do not agree and resolve such inconsistency within in the next three Days, the parties shall resolve such inconsistency as provided in Clause 29 herein.

Should any error or inconsistency appear in the Drawings or Specifications authorized by the OWNER for construction to commence, the Drawings shall take precedence, but the CONTRACTOR shall not proceed with the Work without notifying said error or inconsistency in writing to the OWNER concerning revisions to the Drawings and/or Specifications, in the understanding that OWNER shall respond within three Days or else it will be deemed that the Drawings will prevail, in which case, due to failure of OWNER to respond, CONTRACTOR shall not be held liable for its execution of the Work in accordance with such Drawings and Specifications authorized by OWNER.

Organization of the Specifications into divisions, sections and articles, and arrangement of Drawings shall not control the CONTRACTOR in dividing the Work among Subcontractors or in establishing the extent of Work to be performed by any trade.

Unless otherwise stated in the Contract Documents, words which have well-known technical or construction industry meanings are used in the Contract Documents in accordance with such recognized meanings.

CLAUSE 3. SCOPE OF WORK.

(a) The CONTRACTOR has prepared the design, a set of performance Drawings, Specifications and schedules to fix and describe the size, dimensions, design parameters, character of the Project, materials and such other essentials as may be appropriate. Said Drawings, schedules and Specifications, as reviewed and accepted by the OWNER, shall define the scope of the Work herein contracted for, shall become a part of this Contract as **Exhibit "B"** and shall be signed by the parties upon execution hereof.

The CONTRACTOR has submitted to the OWNER upon execution hereof a detailed critical path method schedule ("CPM") for the Work included in the Contract, which is part of **Exhibit "B"**. This schedule reflects the Contract dates and includes all related activities and will enable the OWNER and Construction Manager, at all times throughout the duration of the Work, to compare actual with scheduled progress.

The CPM schedule shall be revised at least weekly or sooner if required by the conditions of the Work and Project, shall be related to the entire Project to the extent required by the Contract Documents, and shall provide for expeditious and practicable execution of the Work.

The OWNER reserves the right to issue a written modification in the sequence of Work set forth in the approved CPM. However, if the CONTRACTOR determines that such modification in the sequence of the Work involves an extra cost or a delay in construction, the matter will be resolved by Change Order with the approvals required under Clauses Ninth Bis. and Seventeenth.

(b) The CONTRACTOR will be held responsible for fulfilling specifications execution and supervision of the Work as set forth in **Exhibit "B"**, and in accordance with specified and common local industry practices in the Municipality of Matamoros, State of

Tamaulipas, México. The acceptance by the CONTRACTOR of the Drawings and Specifications is for general arrangement only, unless otherwise noted, and does not relieve the CONTRACTOR of full responsibility for the proper, correct, legal and timely execution of the Work required as per the Contract Documents, including but not limited to dimension and position of the completed Work.

The Drawings and Specifications shall become the property of the OWNER. In order for the Project to be deemed as Finally Completed, CONTRACTOR shall have delivered to the OWNER two complete printed sets of As-Built Drawings and Specifications and recorded in a CD-ROM in Auto-Cad version 2002.

In view of the foregoing neither the CONTRACTOR nor any Subcontractor, or material or equipment supplier shall own or claim a copyright in the Drawings.

(c) The CONTRACTOR shall furnish all labor, materials, tools, equipment, construction equipment and machinery, water, heat, utilities, transportation and all other facilities, means and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work, as referred to in Clause 2 hereof.

(d) The CONTRACTOR shall perform the Work in accordance with the Contract Documents, Specifications, Drawings and calculations which, when signed by both parties will be attached to this Contract as part of **Exhibit "B"**. The design, engineering and construction monitoring of the Work shall be performed and supervised by licensed and qualified architects, engineers or such other professionals in Mexico. The Specifications and Drawings or both shall define the scope of the Work and include everything incidental, requisite, and necessary to perform the same. The Specifications and Drawings are to be considered cooperative. All Work shown on the Drawings and not described in the Specifications and all Work described in the Specifications and not shown on the Drawings will be considered a part of this Contract.

(e) The OWNER reserves the right to perform work not related with this Project with its own resources and to award separate contracts in connection with other work.

(f) The CONTRACTOR shall not be considered a representative or agent of the OWNER, except to the extent that the CONTRACTOR may act on behalf of the OWNER in the obtaining of permits or materials and in such other specific cases as approved in writing by the OWNER.

(g) The Construction Manager and the CONTRACTOR'S REPRESENTATIVE shall keep the Daily Activity Log up to date, where all delays, changes, variations and in general, all events arising during the performance hereof, shall be posted.

(h) The CONTRACTOR shall carefully study and compare the Contract Documents with each other and with information furnished by the OWNER, shall at once report to the Construction Manager errors, inconsistencies or omissions discovered. The

CONTRACTOR shall be liable to the OWNER and Construction Manager for damages resulting from errors inconsistencies or omissions in the Contract Documents.

(i) The CONTRACTOR shall take field measurements and verify the conditions and shall carefully compare such fields measurements and conditions and other information known to the CONTRACTOR with the Contract Documents before commencing activities. Errors inconsistencies or omissions discovered shall be reported to the Construction Manager immediately. The CONTRACTOR will be held responsible by paying such costs for any inconsistencies in the field measurements, conditions and other information that affect the Work.

(j) The CONTRACTOR shall supervise and direct the Work, using the CONTRACTOR'S best skill and attention. The CONTRACTOR shall be solely responsible for and have control over construction means, methods, techniques, sequences, and procedures and for coordinating all portions of the Work, unless Contract Documents give other specific instructions concerning these matters.

(k) The CONTRACTOR shall not be relieved of obligations to perform the Work in accordance with the Contract Documents either by activities or duties of the Construction Manager in the administration of the Contract, or by tests, inspections or approvals required or performed by persons other than the CONTRACTOR.

In the event that OWNER, its subcontractors or any other person appointed by OWNER conduct tests and/or inspections that cause a delay in the CPM, the CONTRACTOR shall not be liable for any delay arising therefrom.

(l) The CONTRACTOR shall be responsible for inspection of portions of Work already performed under this Contract to determine that such portions are in proper condition to receive subsequent Work.

(m) The CONTRACTOR shall enforce strict discipline and good order among the CONTRACTOR'S employees and other persons carrying out the Contract. The CONTRACTOR shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.

(n) The CONTRACTOR shall maintain at the site for the OWNER one record copy of the Drawings, Specifications, addenda, Change Orders and other Modifications, in good order and marked currently to record changes and selections made during construction, and in addition approved Shop Drawings, Product Data, Samples and similar required submittals. These shall be available to the Construction Manager and shall be delivered to the Construction Manager for submittal to the OWNER upon completion of the Work ("As Built" Drawings) as provide under section (b) above.

(o) The CONTRACTOR shall direct specific attention, in writing or on resubmitted Shop Drawings, Product Data, Samples or similar submittals to revisions requested by the Construction Manager on previous submittals.

(p) When professional certification of performance criteria of materials, systems or equipment is required by the Contract Documents the Construction Manager shall be entitled to rely upon the accuracy and completeness of such calculations and certifications.

CLAUSE 4. REGULATIONS AND PERMITS.

CONTRACTOR shall, at its cost, perform the Work in accordance with the Contract Documents, that may require compliance with standard International and US codes and requirements as indicated, as well as the Construction Regulations applicable in the city of H. Matamoros, State of Tamaulipas, and any other laws, ordinances or regulations applicable to the execution of the Work. Any fine or penalty which may be imposed as a consequence of any violation of this provision shall be for the exclusive account of the CONTRACTOR, and the CONTRACTOR will keep the OWNER harmless against any loss or liability in the terms of the first paragraph of Clause 26 hereof. If any authority orders the correction of any part or all of the Work, CONTRACTOR shall correct such deficiency on its account and shall bear all expenses related thereto.

The CONTRACTOR shall confine operations at the site to areas permitted by law, ordinances, permits and the Contract Documents and shall not unreasonably encumber the site with materials or equipment.

In order to enable the OWNER to evidence the full ownership of the Work and to comply with all applicable laws and regulations, CONTRACTOR covenants and agrees to obtain at its expense, all required licenses, authorizations and permits on behalf and in the name of the OWNER, including the construction license, issued by the Municipality of Matamoros, for which OWNER agrees to cooperate with CONTRACTOR. The registration of the Work with the Mexican Institute of Social Security (IMSS) shall be made under CONTRACTOR'S name, and CONTRACTOR shall provide OWNER with a copy of such registration, as well as evidence of payment of contributions to the IMSS and INFONAVIT for the previous months. The OWNER shall provide to the CONTRACTOR all documents reasonably necessary to obtain all required licenses and permits. The CONTRACTOR shall obtain the Construction License mentioned in this paragraph and copies thereof shall be delivered to the OWNER and Construction Manager.

If however the CONTRACTOR commences the construction of the Work without having obtained the construction license and IMSS registration mentioned above, the CONTRACTOR will be responsible for the payment of all fines and penalties imposed upon the OWNER, as well as all loss, costs and expenses derived from the suspension of the Work by any Governmental Agency, if any, and it hereby covenants and agrees to hold the OWNER harmless against any and all such fines, penalties and/or losses.

If the CONTRACTOR performs Work knowing it to be contrary to laws, statutes, ordinances, building codes, and rules and regulations the CONTRACTOR shall assume full responsibility for such Work and shall bear the attributable costs.

The certificate of occupancy (“Terminacion de Obra”), if applicable shall be delivered to the OWNER, together with the request of the CONTRACTOR for the Final Inspection of the finished Work, in the terms provided for in Clause 30 hereof. The originals of said permits and licenses shall be delivered to the OWNER upon final acceptance of the Work.

If during the term of execution of the Work any changes or amendments to the established regulations should occur, CONTRACTOR shall be obligated to implement such changes during the phases of the Work to be carried out with no further amendments to this Contract.

CLAUSE 5. TERM AND TIME SCHEDULE.

(a) CONTRACTOR shall initiate the Work upon execution hereof, and must carry the same to Final Completion as hereinafter defined, on or before **April 20, 2009**, with reference to the Work described in Recital I, Paragraph b, except if amended or changed through a Change Order or any other agreement in writing duly signed by the parties hereof. The CONTRACTOR shall comply with the Contract Documents and with the CPM (**Exhibit “B”**) in carrying out the Work, subject to verification and approval by the OWNER’S REPRESENTATIVE and/or Construction Manager. Such CPM shall include a job schedule for all trades, including milestone dates for completion of Work, components and payment schedule and shall be in form and detail acceptable to OWNER. The payment schedule shall be proportional to the Work performed throughout the duration of this Contract. Time limits stated in the Contract Documents are of the essence of the Contract. By executing this Contract the CONTRACTOR confirms that, subject to the proper and timely delivery of the steel and steel reinforcement, the Contract Time is a reasonable period for performing the Work, for which both parties agree as follows:

1. **High Bay Area:** CONTRACTOR and OWNER agree that (i) on **December 1, 2008**, CONTRACTOR shall complete and OWNER shall be granted with the **Beneficial Occupancy** of the high bay area and press pits of the Project for installation of presses (the 100,000 square foot compression molding area and related utilities, such area is identified in the drawings attached hereto as **Exhibit “B”**, hereinafter referred to as the “High Bay Area”), and (ii) on **December 22, 2008**, CONTRACTOR shall complete and OWNER shall be granted with the full **Beneficial Occupancy** of the High Bay Area; (iii) the High Bay Area shall be completed by CONTRACTOR and granted to OWNER for full production precisely on **January 22, 2009 in accordance with the CPM**.
2. **Building:** CONTRACTOR and OWNER agree that (i) the **Substantial Completion** shall be completed by CONTRACTOR and granted to the OWNER precisely on **March 2, 2009**; (ii) after the date of Substantial Completion, a punch list shall be prepared within the next 10 (ten) Days by OWNER and CONTRACTOR, evidencing the pending items to be

completed for Final Completion. Such punch list shall be approved by OWNER in writing in order to constitute a binding document for the parties hereto. **Final Completion** shall occur no later than **April 20, 2009**, and means the time when the Project is finally completed.

3. All the foregoing dates and terms are defined in the **Exhibit "I"** hereof.

(b) If in the reasonable opinion of the OWNER or Construction Manager it becomes necessary to work overtime, nights, weekends and holidays in order to maintain the schedule set up for completing the Contract within the specified time, the CONTRACTOR shall cause the Work to be so scheduled and performed without additional cost to the OWNER, unless the Work delay is excused pursuant to Clause 5, Paragraph (c).

(c) CONTRACTOR is expressly responsible for advancing and finishing the Work as per the CPM. In this regard, CONTRACTOR shall resort at its own cost to any legal means to compensate any delay on schedule either by implementing night shifts, weekend shifts, as well as work on holidays and extra hours with no extra charge, unless the delay results from causes directly attributable to OWNER and/or the Construction Manager and/or OWNER'S subcontractors and/or Force Majeure and/or Change Orders. The CONTRACTOR shall not be entitled to demand payment of damages or increased costs suffered due to the delays arising from its own default hereof. The OWNER'S REPRESENTATIVE at the Work site shall be authorized to sign the Daily Activity Log and certify whether or not casualties which prevent continuation of the Work arose or not on that day. The supervision and inspection of the Work by the OWNER or OWNER'S REPRESENTATIVE, and the requirement of corrections to redress non-conformities with **Exhibit "B"** shall not be deemed to constitute a delay. For any justified delay to be valid for purposes of modifying the CPM it shall be notified in writing by CONTRACTOR to the OWNER'S REPRESENTATIVE and Construction Manager no later than five (5) Days after the date when the event occurred and thereafter approved by the OWNER'S REPRESENTATIVE.

Any extension of time for completion shall apply only to such portion or portions of the Work affected or that could be damaged; the portions not directly or indirectly affected by such causes shall be completed at the latest on the date set forth in this Contract. Unless otherwise specified and agreed by the parties, the issuance of any changes to the Work shall not constitute a reason for changing the time for completion.

(d) In the event OWNER requests CONTRACTOR, by Change Order, except in the event described in paragraph (b) above, to work overtime in order to complete the Work in advance of the date agreed upon in the time schedule, the OWNER will reimburse the CONTRACTOR for the actual costs of said overtime for all field personnel required for such specific overtime work. Prior to such overtime being worked, the parties shall agree to the personnel who shall work overtime.

(e) Extra work requested by the OWNER will have its own time schedule and will not be covered by the term and consideration agreed upon in this Contract.

(f) Claims relating to time shall be made in accordance with applicable provisions of Clause 29 of this Contract.

(g) Delays and extensions in time for the Work do not preclude recovery of damages by the parties hereof, under other provisions of the Contract Documents.

CLAUSE 6. CHARACTERISTICS OF THE WORK.

(a) All materials shall be of the correct type required by the Drawings and Specifications and the Contract Documents, for the purpose for which they are to be used and shall be new, of the first quality and best grade of their respective types and of approved manufacture in accordance to the Specifications. No substitutions or variations from Specifications other than those which are requested through a Change Order will be permitted after the execution hereof.

(b) All CONTRACTOR'S installations shall be made so that the component parts will function together as a workable system, complete with all accessories necessary for its operation, and shall be left with all equipment properly adjusted and in working order. The Work shall be executed in conformity with the best local practice and so as to contribute to the efficiency of operation, minimum maintenance, accessibility, and sightliness and so that the installation will conform and accommodate itself to the building structure, building and process, equipment and usage.

(c) No substitutions or variations from the Contract Documents, Drawings Specifications, including those that are attached hereto as part of **Exhibit "B"**, and except for those which are approved by OWNER and incorporated into this Contract through a Change Order, will be permitted after the execution hereof and except where a manufacturer or supplier of a particular material or item is unable to furnish the item or material specified by the Specifications or Drawings and in such situations the CONTRACTOR must request by written notice, in the Daily Activity Log, the OWNER'S approval of a substitute material or item considered to be equal to that specified or shown in the Drawings or Specifications. OWNER shall approve said material substitution within the next three Days from CONTRACTOR'S request.

(d) CONTRACTOR shall comply with and be bound by the provisions of the Contract Documents, Specifications and Drawings that form **Exhibit "B"** hereto, except in so far as such provisions conflict with this Contract, in the understanding that whenever the CONTRACTOR deems that a provision of the Contract Documents, Specifications and Drawings that form **Exhibit "B"** hereto, is in conflict with this Contract, is not applicable in a Mexican construction environment context or is not reasonable considering such context, then the CONTRACTOR will propose to the OWNER that such conflicting, not applicable or unreasonable provision be eliminated or amended, as the case may be, and the OWNER at its sole discretion and liability will determine whether or not such provision should be eliminated or amended.

(e) The CONTRACTOR shall be responsible for cutting, fitting or patching if required, to complete the Work or to make its parts fit together properly.

CLAUSE 7. SAFETY MEASURES.

(a) The CONTRACTOR shall take all necessary precautions, and shall provide barricades, guards, signs, lights, notices and such protection as may be required by laws and regulations and the Drawings and Specifications and as reasonably determined by OWNER, for the protection of the OWNER'S and other contractors property, as well as adjacent property, both of new and existing Work.

(b) The CONTRACTOR shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Contract.

(c) The CONTRACTOR shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to:

1. Employees on the Work and other persons who may be affected thereby;
2. The Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the CONTRACTOR or the CONTRACTOR'S Subcontractors; and
3. Other property at the site or adjacent thereto such as trees, shrubs, lawns, walks, pavements, roadways, structures, and utilities not designated for removal, relocation or replacement in the course of the construction.

(d) The CONTRACTOR shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

(e) The CONTRACTOR shall erect and maintain, as required by existing conditions and performance of the Contract, reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.

(f) When use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the Work, the CONTRACTOR shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.

(g) The CONTRACTOR shall promptly remedy damage and loss to property caused in whole or in part by the CONTRACTOR, its Subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and

for which the CONTRACTOR is responsible, except damage or loss attributable to acts or omissions of the OWNER or Construction Manager or anyone directly or indirectly employed by either of them, or by anyone for whose acts either of them may be liable, and not attributable to the fault or negligence of the CONTRACTOR.

(h) The CONTRACTOR shall designate a responsible member of the CONTRACTOR'S organization at the site whose duty shall be the prevention of accidents. This person shall be the CONTRACTOR'S superintendent unless otherwise designated by the CONTRACTOR in writing to the OWNER.

(i) The CONTRACTOR shall not load or permit any part of the construction or site to be loaded so as to endanger its safety.

(j) In an emergency affecting safety of persons or property, the CONTRACTOR shall act, at the CONTRACTOR'S discretion to prevent threatened damage, injury or loss. Additional compensation or extension of time claimed by the CONTRACTOR in account of an emergency shall be agreed between the parties through a Change Order, if appropriate given the nature of the emergency.

CLAUSE 8. CONTRACTOR SUPERVISION.

The CONTRACTOR shall supervise and direct the Work using its best skill and attention for the purpose of ascertaining that all materials and labor used in the Work adhere to the Specifications and Drawings, which are a part of this Contract.

For this purpose, the CONTRACTOR shall keep at the Work site during its progress a competent superintendent, satisfactory to the OWNER. Any superintendent that proves to be justifiably unsatisfactory to the OWNER shall be promptly replaced by the CONTRACTOR upon the written direction of the OWNER. The Superintendent or the assistants may be changed through written notice to the OWNER and Construction Manager.

CLAUSE 9. OWNER'S INSPECTION.

The OWNER'S inspection is for the purpose of ascertaining that the Work is being properly executed. While the OWNER will supervise the CONTRACTOR through the OWNER'S REPRESENTATIVE and Construction Manager in the interpretation and execution of the Drawings and Specifications and may assist CONTRACTOR by furnishing additional information as requested by CONTRACTOR, such supervision and assistance shall not relieve the CONTRACTOR of any responsibility for the proper execution of the Work.

The CONTRACTOR shall provide, at all times, proper facilities for access within the property for the OWNER to make the inspections. CONTRACTOR shall provide OWNER and Construction Manger with twenty-four (24) hours notice in writing and by posting same in the Daily Activity Log prior to the covering of any of the Work completed by the CONTRACTOR or Subcontractors. OWNER will have 24 hours starting as of the time the notice is posted in the Daily Activity Log to perform an inspection of the Work to be

covered. In the event the CONTRACTOR covers up Work to be inspected prior to such 24 hour term or against the written direction of the OWNER and Construction Manager derived from the inspection, it shall, if requested, uncover such Work for examination at its own expense. If the OWNER requires to inspect Work previously covered with OWNER'S consent, or without OWNER'S consent when more than 24 hours have lapsed after posting inspection notice in the Daily Activity Log, OWNER shall pay the cost of said uncovering and subsequent covering of such Work, if the inspected Work is found to be in conformity with **Exhibit "B"**. However, if any questionable Work is found to be not in conformity with **Exhibit "B"**, the CONTRACTOR shall pay for the correction of such Work and its uncovering and subsequent covering costs.

Additionally, CONTRACTOR obligates itself to submit to OWNER within the next 2 (two) Days the reports, documents and data regarding the Work and its performance that may be requested by OWNER'S REPRESENTATIVE and the Construction Manager. The OWNER may determine the form in which such reports, documents and data shall be supplied.

If the CONTRACTOR has not taken the necessary actions to: (i) achieve or maintain the required time schedule following OWNER'S and Construction Manager's notification in writing, or (ii) correct the deficiencies in a manner reasonably acceptable to the OWNER, then OWNER shall direct CONTRACTOR to establish a schedule recovery plan and within the next five (5) Days achieve and maintain a reasonable rate of progress. Neither issuance of such written notice and instructions by OWNER nor the failure to issue such notice and instructions shall relieve CONTRACTOR of its obligation to achieve the quality of Work and the rate of progress required by this Contract. CONTRACTOR agrees to take, at its own expense, except in those events herein set forth, whatever measures may be necessary (such as Working overtime, placing additional laborers and equipment on the job or Working multiple shifts) to achieve and maintain the agreed time schedule.

OWNER and Construction Manager will periodically request from CONTRACTOR evidence of payment of all IMSS and INFONAVIT contributions that CONTRACTOR is obligated to pay in connection with its employees performing the Work, and CONTRACTOR shall deliver OWNER a copy of such evidence no later than 10 (ten) calendar days after such evidence is requested. In the event OWNER or Construction Manager do not request evidence thereof such omission shall not be interpreted as a waiver of such right nor result in any liability or responsibility on OWNER or Construction Manager for such reason nor be interpreted as CONTRACTOR being relieved from any responsibility derived there from.

CLAUSE 9 BIS. SUPERVISION BY CONSTRUCTION MANAGER.

OWNER hereby designates Enrique Arturo Melendez-Silva, Edwin Cordova-Acosta and Jesus Alberto Arredondo-Ocañas as the supervisors and consultants of the Construction Manager, having, ample authority to supervise the Work being performed by the CONTRACTOR. Any changes made for an amount between US\$0.00 and US\$25,000.00

will have to be previously approved in writing by the Construction Manager and the OWNER'S REPRESENTATIVE. Finally, all changes to the Work made under this Contract for an amount exceeding US\$25,000.00 will have to be previously approved in writing by the Construction Manager, the OWNER'S REPRESENTATIVE, and any of Stephen John Klestinec or Kevin Lee Barnett or Herman Fredrick Dick, officers of the OWNER. The Construction Manager shall be under the direct command of Mr. Mark Patrick Murfitt and will have the obligation to oversee the Work, have overall responsibility for the work, and a representative of CONTRACTOR shall be present full time at the construction site as of the date of commencement of the Work. The OWNER'S REPRESENTATIVE and Construction Manager shall have the right to supervise CONTRACTOR'S representatives at all times, not being understood that OWNER, OWNER'S REPRESENTATIVE or Construction Manager take any responsibility for the Work. The OWNER'S REPRESENTATIVE must approve any change in the person designated as CONTRACTOR'S REPRESENTATIVE in writing. Furthermore, the OWNER'S REPRESENTATIVE shall have the right at all times, to request CONTRACTOR to replace CONTRACTOR'S REPRESENTATIVE if the OWNER demonstrates reasonable cause for such replacement.

The parties may designate any other representatives that they deem convenient for the performance of this Contract. The parties will have the obligation to notify the other party in writing of such appointments. No such designation, however, shall relieve such designating party of any of its obligations under this Contract.

CLAUSE 10. COOPERATION IN PERFORMING THE WORK.

The CONTRACTOR must schedule its Work and placing of materials and equipment, so as to not interfere with OWNER'S facilities, operations and OWNER'S contractors. Similarly, OWNER, its Subcontractors and/or Construction Manager shall carry out their activities without interfering with the CONTRACTOR'S performance of the Work. Where the parties hereof deem that their activities may interfere with the other party's processes or Work, as applicable, it shall notify same through the Daily Activity Log, no less than 48 hours prior to commencing such operation or Work, as applicable, that will cause such interference.

The parties hereof shall fully cooperate with each other and all other subcontractors shall and carefully coordinate their own work with the other parties work to the best advantage of the Work. The CONTRACTOR will be held responsible for the coordination and cooperation with its Subcontractors at the proper time as may be required to carry out any changes in the Work covered by this Contract, which may be necessary to avoid interference. If it becomes necessary for the CONTRACTOR to make changes to its Work that has been completed and which is caused by failure of the CONTRACTOR to properly coordinate or cooperate with its Subcontractors or with the OWNER, such changes shall be made by the CONTRACTOR without cost to OWNER or Construction Manager. Likewise, in the event that CONTRACTOR is required to make changes to the Work due to failure of OWNER and/or Construction Manager and/or OWNER'S subcontractors to coordinate their work, such changes shall be made by the CONTRACTOR. Costs and expenses arising

therefrom shall be heard by OWNER.

In the event that OWNER incurs into extra cost in the performance of its activities and only and exclusively in the event that such extra costs arise from CONTRACTOR'S or its Subcontractors' failure to coordinate their performance of the Work, and such failure interferes with the OWNER'S activities, CONTRACTOR shall be liable for such extra costs arising therefrom.

In order to allow the OWNER to start its operations as quickly as possible, the CONTRACTOR agrees to permit the OWNER to make use of any portion or portions of the Work which can be mutually agreed upon as being available for the OWNER'S operations without interfering with the CONTRACTOR'S completion of the remaining portions of the Work.

Except as otherwise provided in the Contract Documents or when direct communications have been specially authorized, the OWNER and CONTRACTOR shall endeavor to communicate through the Construction Manager and through the Daily Activity Log. Communications by and with Subcontractors and material suppliers shall be through the CONTRACTOR. Communications by and with separate contractors shall be through the OWNER.

CLAUSE 11. FIRE PROTECTIVE MEASURES.

The parties will at least comply with the following requirements:

A. Provide accesses to the construction site and around the perimeter of the facility, where possible. Such access shall be maintained in a serviceable condition suitable at all times for use by heavy fire fighting equipment.

B. Shall keep the entire site free from trash and combustibles. They shall store flammable liquids in approved storage containers and shall provide temporary, approved storage facilities when flammable liquids remain on the site, in compliance with existing regulations.

CLAUSE 12. MATERIALS AND EQUIPMENT.

(a) The CONTRACTOR shall be responsible for the transportation, unloading, storing and proper care of all its materials and equipment delivered at the site, and further shall be responsible for protecting them from weather, dust, theft and vandalism.

(b) Should any of CONTRACTOR'S materials used in the Work be found by the OWNER or Construction Manager to be defective or damaged in any way, regardless of the extent of completion of the Work, the OWNER shall notify the CONTRACTOR in writing and through the Daily Activity Log as soon as such damaged or defective material or Work is observed and same shall be removed, replaced, reconstructed or refinished as may be required at the sole discretion of the OWNER unless damaged by OWNER, Construction

Manager, or its subcontractors, agents and/or employees; notwithstanding the above, the CONTRACTOR will be responsible for all damages caused by its subcontractors, agents and/or employees and in such event, the expense of doing so or the cost of delays and of making good other Work affected by the changes shall be borne by the CONTRACTOR and no extension of time shall be allowed for the correction of such faulty Work, unless the parties agree on an extension at that time.

(c) All of CONTRACTOR'S materials, equipment or other items which are subject matter of this Contract which may be affected by the weather or dust, shall be covered and protected to keep them free from damage on the Premises and during transit thereto.

(d) The parties covenant and agree that title and ownership of all materials supplied by the CONTRACTOR, its subcontractors, agents and suppliers pursuant to the provisions of this Contract, will at all times remain vested in the OWNER, starting from the time of their acquisition by the CONTRACTOR, its Subcontractors, agents and suppliers, or their delivery or installation at the Premises, whatever happens first, provided however that CONTRACTOR shall be liable for damages and losses caused to the same until Final Completion of the Work.

(e) CONTRACTOR must retain all loose and detachable parts of the equipment installed under this Contract, if any, until the completion of the Work, and shall then turn such parts over to OWNER'S representatives, with a list detailing said parts.

CLAUSE 13. INSTALLATION OF OWNER'S MACHINERY AND EQUIPMENT.

The CONTRACTOR agrees that the OWNER may receive, place and install as much material, machinery and equipment in those portions of the Work which can be mutually agreed upon as being available for the OWNER'S operations without interfering with the CONTRACTOR'S completion of the Work. The CONTRACTOR further agrees to permit, at OWNER'S expense, the placing of such machinery and equipment into operation by the OWNER'S employees or other contractors and that such action shall not constitute delivery of the portion or portions of the Work where such installation is carried out. The CONTRACTOR shall accept delivery of OWNER supplied goods and will protect them from damages, fire, theft, vandalism and weather until CONTRACTOR installs same.

Furthermore, OWNER shall be liable for any damage to the Work, personal injury or death arising from the installation of its machinery and equipment in the Building; and shall hold CONTRACTOR harmless from any and all liability in connection therewith.

CLAUSE 14. ADVANCED USE OF ANY PORTION OF THE WORK.

In addition to the requirements of the above Clause 13, the CONTRACTOR agrees that the Work or any portions thereof which the parties mutually agree can be used by the OWNER without interfering with the CONTRACTOR'S work, may be occupied and put to use by the OWNER, at its own expense, which action will not be construed as substantial completion of the Work or any portion thereof, nor signify the OWNER'S acceptance of

such Work or portion thereof, unless otherwise agreed upon.

CLAUSE 15. CLEANING OF THE PREMISES.

The Parties will keep the premises free at all times from accumulations of waste material or rubbish caused by their respective employees and operations and their Subcontractors and work of each of them. The CONTRACTOR shall remove and dispose of all debris or rubbish from and around the site, including all tools, scaffolding and surplus materials in accordance with the applicable Mexican laws, and shall leave the Work and the premises clean and acceptable to the OWNER. If the CONTRACTOR fails to clean up the OWNER and Construction Manager may do so and the reasonable cost thereof shall be deducted from final payment due to the CONTRACTOR.

Furthermore, the CONTRACTOR shall handle and dispose of any hazardous materials and substances resulting from its performance of the Work, in full compliance with the legal provisions providing for handling and disposal of such materials and substances and hereby covenants and agrees to keep the OWNER harmless from any claim, lawsuit, judgment, administrative procedure, sanction or penalty in connection therewith.

Similarly, OWNER shall handle and dispose of any hazardous materials and substances resulting from its operations in the Premises, in full compliance with the legal provisions providing for handling and disposal of such materials and substances and hereby covenants and agrees to keep the CONTRACTOR harmless from any claim, lawsuit, judgment, administrative procedure, sanction or penalty in connection therewith.

At completion of the Work the CONTRACTOR shall remove from and about the Premises and the Building waste materials, rubbish, the CONTRACTOR'S tools, construction equipment, machinery and surplus materials.

If the CONTRACTOR fails to clean up as provided above, the OWNER may do so and the cost thereof shall be charged to the CONTRACTOR.

CLAUSE 16. CORRECTION OF THE WORK.

If the CONTRACTOR fails to correct Work which is not in accordance with the requirements of the Contract Documents, after written notice by OWNER requesting the correction of the Work, or persistently fails to carry out Work in accordance with the Contract Documents, the OWNER by written order signed personally by their authorized representatives, may order the CONTRACTOR to stop the Work, or any portion thereof, with no liability to OWNER until the cause for such order has been eliminated

If the CONTRACTOR defaults or neglects to carryout the Work in accordance with the Contract Documents and fails within a seven Day period after receipt of written notice from the OWNER to commence and continue correction of such default or neglect with diligence and promptness, the OWNER may after such seven Day period without prejudice to other remedies the OWNER may have, correct such deficiencies. In such

case an appropriate Change Order shall be issued deducting from payments then or thereafter due to the CONTRACTOR the cost of correcting such deficiencies, including compensation for the Construction Manager's additional services and expenses made necessary by such default, neglect or failure. Such action by the OWNER and amounts charged to the CONTRACTOR are both subject to prior approval of the Construction Manager. If payments then or thereafter due to the CONTRACTOR are not sufficient to cover such amounts, the CONTRACTOR shall pay the difference to the OWNER. In the event that OWNER'S subcontractors carry out the abovementioned corrections of the Work, then, the CONTRACTOR shall be released by the OWNER from any liability arising from such correction carried out by OWNER'S subcontractors only, and shall hold CONTRACTOR harmless from any and all claims and/or suits that may be filed by any of OWNER'S subcontractors or suppliers used for such correction only. OWNER shall be responsible for the cost of correcting damaged or defaulty Work derived from its own negligence or that of its subcontractors, agents and suppliers.

The CONTRACTOR shall be responsible for the cost of correcting damaged or faulty Work derived from its own negligence or that of its subcontractors, agents and suppliers.

The CONTRACTOR shall promptly correct Work rejected by the Construction Manager or failing to conform to the requirements of the Contract Documents whether observed before or after Substantial Completion and whether or not fabricated, installed, or completed, but not after the Final Inspection and acceptance of the Work by OWNER. The CONTRACTOR shall bear costs of correcting such rejected Work. After Substantial Completion, any and all corrections of the Work will be requested by OWNER under the warranty as provided for in Clause 21 hereof.

The CONTRACTOR shall remove from the Premises portions of the Work, which are not in accordance with the requirements of the Contract Documents and are neither corrected by the CONTRACTOR nor accepted by the OWNER and Construction Manager.

Notwithstanding anything in this Contract, and pursuant to the provision set forth in this Clause, if the CONTRACTOR fails to correct nonconforming Work within a reasonable time, the OWNER may correct it. If the CONTRACTOR does not proceed with correction of such nonconforming Work within a reasonable time, the OWNER may remove it and store the salvable materials or equipment at the CONTRACTOR'S expense. If the CONTRACTOR does not pay costs of such removal and storage within ten Days after written notice, the OWNER will deduct costs, damages and Construction Manager's fees and expenses made necessary thereby from the Contract Sum.

The CONTRACTOR shall bear the cost of correcting destroyed or damaged construction, whether completed or partially completed, of the OWNER or separate constructors caused by the CONTRACTOR'S correction or removal of Work which is not in accordance with the requirements of the Contract Documents.

CLAUSE 17. CHANGES IN THE WORK.

Changes in the Work may be accomplished after execution of the Contract, and without invalidating the Contract by (i) Change Order; or (ii) an order for minor changes in the Work posted in the Daily Activity Log.

As applicable, such items will be covered in the form of a Change Order or an order for minor changes in the Work posted in the Daily Activity Log, issued by the OWNER'S REPRESENTATIVE or Construction Manager and signed in approval by the CONTRACTOR, and shall be considered part of this Contract and subject to all the conditions and provisions hereof. The CONTRACTOR shall proceed with the changes unless it claims that any written instructions or requests from OWNER involve extra cost or additional time under the Contract in which case, it shall promptly give the OWNER written notice thereof before proceeding to execute the Work, except in the event of emergency endangering life or property. In the event the CONTRACTOR provides such notice to OWNER, it shall not proceed with the Work until further direction from the OWNER. Because time is of the essence for the Work, OWNER must answer CONTRACTOR's written notice of such extra cost or additional time within the next three Days after delivery of same to OWNER'S REPRESENTATIVE. If OWNER does not comply with the foregoing, CONTRACTOR shall not proceed in accordance with such Change Order and CONTRACTOR will not be liable in any manner whatsoever for such change.

If the CONTRACTOR is requested to quote on any extra work at any time during the progress of the Contract, the parties shall agree in writing on the additional cost and time required for such extra work.

Changes in the Work shall be performed under applicable provisions of the Contract Documents, and the CONTRACTOR shall proceed promptly, unless otherwise provided in the Change Order or order for a minor change in the Work.

(i) A **Change Order** shall be in writing duly signed by the OWNER, CONTRACTOR and Construction Manager stating their agreement upon all of the following:

1. A change in the Work;
2. The amount of the adjustment in the Contract Sum, if applicable; and,
3. The extent of the adjustment in the Contract Time, if any.

A Change Order shall be based upon agreement among the OWNER, CONTRACTOR and Construction Manager.

If the Change Order provides for an adjustment to the Contract Sum, the adjustment shall be based on one of the following methods:

1. Mutual acceptance of a lump sum properly itemized and supported by sufficient substantiating data to permit evaluation;

2. Unit prices stated in the Contract Documents or subsequently agreed upon;
3. Cost to be determined in a manner agreed upon by the parties and mutually acceptable fixed or percentage fee;

Upon receipt of a Change Order, the CONTRACTOR shall promptly proceed with the change in the Work involved and advise the Construction Manager of the CONTRACTOR'S agreement or disagreement with the method, if any, provided in the Change Order for determining the proposed adjustment in the Contract Sum or Contract Time.

A Change Order signed by the CONTRACTOR indicates the agreement of the CONTRACTOR therewith, including adjustment in Contract Sum and Contract Time or the method for determining them. Such agreement shall be effective immediately.

If the CONTRACTOR does not respond promptly or disagrees with the method for adjustment in the Contract Sum, the method and the adjustment shall be determined by the Construction Manager on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including, in case of an increase in the Contract Sum, a 10% allowance for overhead and profit. In such case, the CONTRACTOR shall keep and present, in such form as the Construction Manager may prescribe, an itemized accounting together with appropriate supporting data. Unless otherwise provided in the Contract Documents, costs shall be limited to the following:

1. Costs of labor, including social security, fringe benefits required by agreement;
2. Costs of materials, supplies and equipment, including cost of transportation, whether incorporated or consumed;
3. Rental costs of machinery and equipment, exclusive of hand tools, whether rented from the CONTRACTOR or others;
4. Costs of premiums for the guarantee bond, permit fees, and value added tax related to the Work; and
5. Additional costs of supervision and field office Personnel directly attributable to the change.

If the OWNER and CONTRACTOR do not agree with the adjustment in Contract Time or the method for determining it the adjustment or the method shall be referred to the Construction Manager for determination per Clause 29.

When the OWNER and CONTRACTOR agree with the determination made by the Construction Manager concerning the adjustments in the Contract Sum and Contract Time, or otherwise reach agreement upon the adjustments, such agreement shall be effective immediately and shall be recorded by preparation and execution of an appropriate Change Order.

(iii) An **order for a minor change** in the Work, may be issued by the Construction Manager not involving adjustment in the Contract Sum or extension of the Contract Time and not inconsistent with the intent of the Contract Documents. Such changes shall be effected by written order and shall be binding on the OWNER and CONTRACTOR. The CONTRACTOR shall carry out such written orders promptly.

After the Contract has been executed the OWNER and the Construction Manager will consider a formal request for the substitution of products in place of those specified only under the conditions set forth in the General Requirements.

CLAUSE 18. TESTS.

The CONTRACTOR shall furnish all labor and materials required to make all performance and other tests of its Work, including but not limited to site preparation as required by the Drawings and Specifications. Such tests shall be made at no additional cost to the OWNER. The CONTRACTOR shall perform all tests, and the OWNER'S REPRESENTATIVE and Construction Manager must be notified in writing and through the Daily Activity Log with at least twenty-four hours in advance of said tests. All Work required to be tested and thereafter buried underground or otherwise concealed, shall be tested before being buried or covered, and the test conditions shall be applied for a sufficient length of time to permit adequate inspection. The CONTRACTOR shall furnish the OWNER with complete written test results and data, as soon as they are available. The OWNER shall have the right to independently test, at its expense, any portion of the Work. In the event the Work tested by the OWNER as provided herein is not in conformity with **Exhibit "B"** hereof, the last sentence of second paragraph of Clause 9 of this Contract shall apply.

Tests, inspections and approvals of portions of the Work required by the Contract Documents or by laws, ordinances, rules, regulations or orders of public authorities having jurisdiction shall be made at an appropriate time. Unless otherwise provided, the CONTRACTOR shall make arrangements for such tests, inspections and approvals with an independent testing laboratory or entity acceptable to the OWNER, or with the appropriate public authority, and shall bear all related costs of tests, inspections and approvals. The CONTRACTOR shall give the Construction Manager timely notice of when and where tests and inspections are to be made so the Construction Manager may observe such procedures.

If the Construction Manager, OWNER or public authorities having jurisdiction determine that portions of the Work require additional testing, inspection or approval not included in the above paragraph, the Construction Manager will, upon written authorization from the OWNER, instruct CONTRACTOR to make arrangements for such additional testing, inspection or approval by an entity acceptable to the OWNER, and the CONTRACTOR shall give timely notice to the Construction Manager off when and where tests and inspections are to be made so the Construction Manager may observe such procedures.

If such procedures for testing, inspection or approval reveal failure of the portions of the Work to comply with requirements established by the Contract Documents, the

CONTRACTOR shall bear all costs made necessary by such failure.

Required certificates of testing, inspection or approval shall, unless otherwise required by the Contract Documents, be secured by the CONTRACTOR and promptly delivered to the Construction Manager.

If the Construction Manager is to observe tests, inspections or approvals required by the Contract Documents, the Construction Manager will do so promptly and, where practicable at the normal place of testing.

Tests or inspections conducted pursuant to the Contract Documents shall be made promptly to avoid unreasonable delays in the Work.

CLAUSE 19. INSURANCE.

(a) The CONTRACTOR shall obtain in the name of the CONTRACTOR, from an insurance company with offices in both the United States of America and in Mexico, authorized to do business in Mexico and satisfactory to the OWNER, a comprehensive general insurance liability policy, which will include, but not be limited to the following insurance coverage: An insurance policy in the total amount of US\$2,000,000.00 (Two Million 00/100 Dollars) per occurrence and US\$2,000,000.00 (Two Million 00/100 Dollars) aggregate, to protect the OWNER and the CONTRACTOR at all times from any claims resulting from injury or death of any person or persons, or damages to property caused in whole or in part by acts or omissions of the CONTRACTOR, OWNER or any other contractor or subcontractors, suppliers or any other party directly or indirectly employed by them while engaged in the performance of the Work, or any other activity associated or related with the Work, or Force Majeure, as provided by the Civil Code for the State of Tamaulipas and the Federal Labor Law of the Mexican Republic.

The CONTRACTOR shall be responsible for providing coverage for all its workers and employees with the Mexican Institute of Social Security, pursuant to Clause 27 hereof.

Approval of the insurance by the OWNER shall not relieve or decrease the liability of CONTRACTOR hereunder. The OWNER shall be named as an additional insured and such policy shall provide that the OWNER shall receive thirty (30) calendar days prior written notice of any cancellation of such policy or of a material change in the coverage thereby provided. In the event of casualty, the CONTRACTOR shall promptly initiate adjustment procedures with the respective insurance company and the proceeds paid thereby will be distributed among the parties hereto in accordance to their respective interests as they appear herein.

(b) OWNER shall obtain at its expense, in the name of the OWNER, from an insurance company with offices in both the United States of America and in Mexico, authorized to do business in Mexico, the following insurance coverage:

(i) An insurance policy to protect against all risks of physical damage including but not

limited to fire, extended coverage perils, earthquake and flood for the term of construction, including the materials and accessories for the full cost of replacement of the construction effected up to the date of the damage.

In the event of casualty, the OWNER shall promptly initiate adjustment procedures with the respective insurance company and the proceeds paid thereby will be distributed among the parties hereto in accordance to their respective interests as they appear herein.

As evidence that the parties hereof have provided insurance as required above, they shall furnish each other with copies of the certificates of insurance issued by corresponding insurers upon execution of this Contract. Such insurance shall be valid and in effect until final acceptance of the Work by the OWNER.

CLAUSE 20. DAMAGES.

The CONTRACTOR will be held responsible for all losses or damages to all the Work, to the property of OWNER, to OWNER'S other contractors or to adjacent property, as well as for the injury or death of its own, and other contractors or OWNER'S employees, agents or any other persons, while they are on the OWNER'S premises or in adjacent areas, when such damages, injuries or deaths are caused by any acts or omissions of the CONTRACTOR or its Subcontractors, including their own negligence or failure to provide proper barricades, guards, and other means of protection. CONTRACTOR shall defend any and all claims, actions or suits that may be brought against the OWNER in which such liability may be asserted and shall make good to, and reimburse, the OWNER for any expenditures which may be incurred by OWNER in the defense of any claim, action or suit in which such liability may be asserted.

The OWNER will be held responsible for all losses or damages to all the Work, to the property of CONTRACTOR, Subcontractors or other contractors or to adjacent property, as well as for the injury or death of its own, and other contractors or CONTRACTOR'S employees, agents or any other persons, while they are on the Premises or in adjacent areas, when such damages, injuries or deaths are caused by any acts or omissions of the OWNER and/or the Construction Manager or its Subcontractors, including their own negligence or failure to provide proper barricades, guards, and other means of protection. OWNER shall defend any and all claims, actions or suits that may be brought against the CONTRACTOR in which such liability may be asserted and shall make good to, and reimburse, the CONTRACTOR for any expenditures which may be incurred by CONTRACTOR in the defense of any claim, action or suit in which such liability may be asserted.

CLAUSE 21. WARRANTIES.

CONTRACTOR hereby agrees to provide a 1 (one) year warranty for the Work commencing on Substantial Completion Date, for all workmanship and materials used. Moreover, after the 1 (one) year warranty term has expired, CONTRACTOR shall assign OWNER, to the fullest extent possible, any and all warranties received by its vendors,

suppliers and/or Subcontractors., including but not limited to, the warranty for the roofs of the Work granted by Butler for a term of 10 (ten) years for steel and steel reinforcement materials. Work will be free of defects not inherent in the quality required or permitted, and that the Work will conform to the requirements of the Contract Documents. Work not according to the Contract Documents requirements, including substitutions not properly approved and authorized, under the Contract Documents, may be considered defective. Except for punch list items, the warranty period will run from the date the punch list items are delivered. Any imperfections or defects which may develop or be discovered in the workmanship or materials used or in the fixtures or equipment furnished by the CONTRACTOR during the corresponding warranty period shall be made good by the CONTRACTOR, including all necessary costs incidental thereto, without cost to the OWNER. In the event of any imperfections, and in addition to other recourses available to the OWNER derived from this Contract or from law, the CONTRACTOR covenants and agrees to replace or repair with comparable equipment, materials and workmanship, any and all imperfections or defects found in the workmanship or materials used furnished by the CONTRACTOR.

CONTRACTOR hereby agrees to that any persistent imperfection that was corrected by CONTRACTOR within the warranty term, shall be corrected by CONTRACTOR under this warranty, until said repair is in good working conditions.

Nothing contained in this Clause shall be construed to establish a period of limitation with respect to other obligations, which the Contractor might have under the Contract Documents.

In the event that this Contract is terminated by OWNER before the dates set forth in Clause Fifth hereof, then, the warranty shall become effective for the Work actually performed by CONTRACTOR and said warranty shall be effective as of the date of termination hereof.

CLAUSE 22. CONSTRUCTION DRAWINGS.

Based on actual field measurements, the CONTRACTOR shall keep a complete set of Drawings and Specifications at the Work site, which Drawings shall be maintained current and up to date to reflect any changes due to field conditions and to alterations requested by the OWNER.

The CONTRACTOR shall maintain marked up "As-Built" Drawings, Specifications and changes due to field conditions and alterations requested by the OWNER. A complete set of "As-Built drawings" shall be submitted to Construction Manager for review at the "Substantial Completion Date".

CLAUSE 23. GUARANTEE BOND.

Upon execution of this Contract, CONTRACTOR must obtain and maintain in full force and effect the following Bond provided by a bonding company acceptable to the OWNER:

a) Upon acceptance of the Work by the OWNER and prior to final payment hereof, the CONTRACTOR shall obtain and provide a guarantee bond from such bonding company as the OWNER may approve and in an amount equal to ten (10%) percent of the Contract Sum. Said bond shall be in effect through the warranty period and any extensions thereof as provided in Clause 21. The bond shall cover all the obligations of the CONTRACTOR under and derived of this Contract, including but not limited to those of criminal, labor, tax, commercial and civil nature.

CONTRACTOR shall furnish OWNER with certificate for such bond policy required to be provided under this Contract, which policy shall provide that it shall not be reduced or canceled during its corresponding term of effectiveness. CONTRACTOR shall furnish OWNER with copy of the receipt of payment of the corresponding premium on such bond policy.

The bond policy shall be issued by a company approved by the OWNER, which shall be subject to the approval of the OWNER as to amount, content, form and expiration date, and shall name OWNER as beneficiary. The bond policy may only be reduced or canceled with the OWNER'S prior written approval.

CLAUSE 24. CONTRACTED SUM — COSTS.

The OWNER shall pay to the CONTRACTOR for the performance of the Work and all CONTRACTOR'S obligations hereunder a price not to exceed US\$12,704,365.38 (Twelve Million Seven Hundred Four Thousand Three Hundred Sixty Five Dollars 38/100), legal currency of the United States of America, plus the applicable Value Added Tax, for the Work described in **Exhibit "A"** hereto, excluding the areas for equipment pits, which maximum price will not exceed US\$26,407.80 (Twenty Six Thousand Four Hundred and Seven Dollars 80/100) legal currency of the United States of America, per press pit, plus Value Added Tax; however, pit pricing is subject to final soil analysis and may change based on findings (the "Contract Sum"). The Contract Sum shall be the total payment due from the OWNER to the CONTRACTOR and shall include, without limitation, the cost of the premium for the guarantee bond and permits, as contemplated herein, Subcontractors, Suppliers, CONTRACTOR'S fees, labor, social security, equipment, materials, services and any tax, including any state, federal or local tax on any material or equipment used in the construction of the Work and those which may be applicable to this CONTRACT or the performance thereof, the amounts of which are undetermined at the time of execution of this CONTRACT, except for the applicable Value Added Tax, which will be paid by OWNER.

The parties hereby acknowledge that OWNER has paid from the above mentioned Contract Sum, in advance to CONTRACTOR the amount of US\$244,387.00 (Two Hundred Forty Four Thousand Three Hundred Eighty Seven Dollars 00/100) legal currency of the United States of America, plus the applicable Value Added Tax for the earth and grading work carried out by the CONTRACTOR on the Premises. Similarly, the OWNER acknowledges that CONTRACTOR has delivered the corresponding

invoice(s) for the amounts paid in advance in connection with such grading work.

The applicable Value Added Tax to be paid by OWNER shall be itemized separately from the contracted price on the official invoice or invoices which in accordance with the applicable tax provisions shall be issued by the CONTRACTOR.

CLAUSE 25. PAYMENTS TO THE CONTRACTOR

(a) The amount of US\$1,794,410.85 (One Million Seven Hundred Ninety Four Thousand Four Hundred Ten Dollars 85/100), of the total Contract Sum, legal currency of United States of America, plus the applicable Value Added Tax, constitutes the down payment, is paid by OWNER to CONTRACTOR on the date of execution hereof. Delivery of the down payment herein referred to will be subject to the condition precedent of CONTRACTOR delivering to OWNER the following documents: (i) **Exhibit "B"** (the CPM schedule); (ii) the list of items in which the initial payment must be spent, **Exhibit "F"**; and (iii) an invoice for the initial payment amount plus the applicable Value Added Tax.

(b) Except as provided in Clause 25 Bis hereof, progress payments by the OWNER to the CONTRACTOR will be made on a monthly basis, and shall be proportionate to the degree of completion of the Work in accordance to the CPM.

The making of monthly progress payments by the OWNER to the CONTRACTOR will be predicated upon the CONTRACTOR adhering to the CPM, which is part of **Exhibit "B"** approved by the OWNER. If the CONTRACTOR is falling behind the schedule on the performance of the Work, due to its fault or negligence, the OWNER may retain the portion of the corresponding progress payments, which is proportional to the uncompleted Work until such time as the CONTRACTOR actually performs the portion or the parts of the Work so scheduled. In any event, payments to the CONTRACTOR shall be made based on the value of Work completed to date, including materials ordered and stored in a bonded warehouse or storage facility, in accordance with the itemized values contemplated in the breakdown in **Exhibit "B"** hereto, and as verified by OWNER'S REPRESENTATIVE and Construction Manager.

CONTRACTOR shall submit application for any partial payment to the OWNER on the 25th day of each month. The OWNER and its representative shall review if the Work has been completed pursuant to the CPM. The CONTRACTOR shall submit to the OWNER or Construction Manager an itemized Application for Payment for operations completed in accordance with the schedule of values. Such application shall be supported by such data substantiating the CONTRACTOR'S right to payment as the OWNER or Construction Manager may require, such as copies of requisitions from Subcontractors and material suppliers. The OWNER, through its representative on site, shall check the application for partial payment and, not later than three (3) Days after receipt of such application shall approve for payment the corresponding sum. The down payment, shall be amortized against the progress payments of the Work by withholdings of 15% of each progress payment until it is fully amortized, considering the value of labor, equipment and/or materials which the OWNER estimated has been acceptably incorporated into the

Work or suitably stored at the site thereof, withholding payment of the remaining 7% (seven percent) as per the following paragraph (c), less the aggregate of any previous payments. In the event there are changes in the Work involving additional cost to CONTRACTOR ordered by the OWNER, they shall be documented as required by Clause 17 of this Contract.

Due to the CONTRACTOR'S obligation to deliver to OWNER copy of the previous month contribution payment to the Mexican Institute of Social Security and INFONAVIT, OWNER shall have the right to withhold the next months payment, only in the percentage of the contributions not paid to the Mexican Institute and INFONAVIT for said previous month. Once CONTRACTOR delivers to OWNER proof of payment of the remaining contributions, OWNER shall release the amounts withheld within the following 24 hours of receiving such proof of payment.

(c) The OWNER will withhold at least 7% (seven percent) of each progress payment throughout the project to guarantee the correct execution of the Work and all the CONTRACTOR'S undertaking hereunder. However, the CONTRACTOR shall be entitled to receive the mentioned withholding as per Clause 30, paragraph c) hereof.

(d) Upon termination of the Work, the CONTRACTOR shall be obligated to deliver to the OWNER an invoice or invoices for the remaining value of the Work and/or amounts effectively paid by OWNER to CONTRACTOR, which invoices shall segregate the net charges from the respective value added tax and comply with all tax requisites as provided by Mexican Law.

(e) The Construction Manager will, within three (3) Days after receipt of the CONTRACTOR'S Application for Payment issue to the OWNER a certificate of Payment, with a copy to the CONTRACTOR, for such amount as the Construction Manager determines is properly due as per the provisions set forth in this Clause.

(f) The issuance of a Certificate for Payment will constitute a representation by the Construction Manager to the OWNER, based on Construction Manager's observations at the site and the data comprising the Application for Payment, that the Work has progressed to the point indicated and that, to the best of the Construction Manager's knowledge, information and belief, quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion to results of subsequent tests and inspections, to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by the Construction Manager. The issuance of a Certificate for Payment will further constitute a representation that the CONTRACTOR is entitled to payment in the amount certified. However, the issuance of a Certificate for Payment will not be a representation that the Construction Manager has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the OWNER to substantiate the CONTRACTOR'S right to payment

or (4) made examination to ascertain how or for what purposes the CONTRACTOR has used money previously paid on account of the Contract Sum.

(g) The Construction Manager may only decide not to certify payment and may withhold a Certificate for Payment in whole or in part to the extent reasonably necessary to protect the OWNER, in the event the Work has not been performed according to the Contract Documents. If the Construction Manager is unable to certify payment in the amount of the Application, the Construction Manager will notify the CONTRACTOR and OWNER. If the CONTRACTOR and Construction Manager cannot agree on a revised amount the Construction Manager will promptly issue a Certificate for Payment for the amount for which the Construction Manager is able to make such representations to the OWNER. The Construction Manager may also decide not to certify payment or, because of subsequently discovered evidence or subsequent observations, may nullify the whole or a part of a Certificate for Payment previously issued to such extent as may be necessary in the Construction Manager's opinion to protect the OWNER from loss because of:

1. Defective Work not remedied;
2. Third party claims filed or reasonable evidence indicating probable filing of such claims;
3. Failure of the CONTRACTOR to make payments properly to Subcontractors or for labor, materials or equipment;
4. Damage to the OWNER or another contractor;
5. Reasonable evidence that the Work will not be completed as per the CPM, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay; or
6. Persistent failure to carry out the Work in accordance with the Contract Documents.

When the above reasons for withholding certification are removed, certification will be made for amounts previously withheld.

(h) After the Construction Manager has issued a Certificate for Payment, the OWNER shall make payment in the manner and within the time provided in the Contract Documents, and shall so notify the Construction Manager.

(i) Neither the OWNER nor Construction Manager shall have an obligation to pay or to see to the payment of money to a Subcontractor except as may otherwise be regulated by law.

(j) Certificate for Payment, a progress payment, or partial or entire use or occupancy of the Project by the OWNER shall not constitute acceptance of Work.

(k) Payments due and unpaid under the Contract Documents shall bear interest from the date payment is due at such rate as the parties may agree upon in writing or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is

located.

CLAUSE 25 BIS. STEEL AND STEEL STRUCTURE PAYMENTS.

The parties hereby agree and acknowledge that CONTRACTOR has request to Butler de Mexico, S. de R.L. de C.V. (“Butler”), the steel and steel reinforcement materials required for the Building; and that Butler as provided a payment schedule for such materials, which is attached hereto as **Exhibit “H”**; thus OWNER hereby agrees to pay CONTRACTOR only and exclusively for the steel and steel reinforcement materials the amounts set forth in **Exhibit “H”** within 2 Days before its due date set forth therein, provided, however, that CONTRACTOR shall invoice such payment 7 calendar days in advance.

CLAUSE 26. THE PARTIES RESPONSIBILITIES.

(a) The CONTRACTOR shall indemnify and hold harmless the OWNER, Construction Manager, and their consultants and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys fees arising out of or resulting from casualty or death of any person or persons, or damages to property of third parties and from the performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness disease or death, or to injury to or destruction of tangible property other than the Work itself including loss of use resulting therefrom, including, without limitation, the use, discharge, storage or disposal of any toxic substance or environmental hazardous material, and the omission in the obtainment of any permit, license or authorization required, but only to the extent caused in whole or in part by negligent acts or omissions of the CONTRACTOR, a Subcontractor or anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expertise is caused in part by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations indemnity which would otherwise exist as to a party or person described in this Paragraph (a).

(b) The CONTRACTOR shall forever protect and defend the OWNER in the full and free use and enjoyment of any and all rights to any invention, machines or devices which may be used as part of the Work, either in the construction or use after completion, against all suits of all persons whomsoever and shall pay all royalties and license fees necessary for the use and enjoyment of such inventions, machines or devices.

(c) Furthermore, upon presentation of the request for the first monthly progress payment, the CONTRACTOR shall submit to the OWNER, an affidavit from the Subcontractors and/or Suppliers used in the Work stating that no claims, demands, losses, suits, payments, actions, recoveries or judgments of any and all natures, will be filed against the OWNER for any reason whatsoever, and particularly for monies owed to them by the CONTRACTOR, and through which they expressly waive the right granted to them by Article 2641 of the Civil Code for the Federal District and its correlative article in the Civil Code for the State of Tamaulipas.

CONTRACTOR agrees to advise all Subcontractors and Suppliers that in any given case they shall seek recourse for any claims, demands, losses, suits, payments, actions, recoveries or judgments, directly from the CONTRACTOR.

CONTRACTOR further agrees to save and hold the OWNER harmless, thus assuming all responsibility for any and all claims, demands, losses, suits, payments, actions, recoveries or judgments brought against the OWNER, by any of CONTRACTOR'S Subcontractors arising out of the Work.

(d) Environmental Liability. CONTRACTOR shall assume all environmental liabilities upon entering into this Contract and thus, will ensure that the Work shall be free of, and will not be subject to, any spill, environmentally harmful accident or final disposal or recycling of any material or waste that is deemed hazardous or dangerous under the terms of the Laws, as defined below, and agrees to indemnify and to hold OWNER in peace and safe from harm against any all liabilities, including penalties, losses, demands, claims, payments, suits, actions, recoveries and judgments of an environmental nature brought against it by reason of any act, omission or misrepresentation of CONTRACTOR, its agents or employees, or any of its Subcontractors, their agents or employees, in the execution of the Work. CONTRACTOR shall perform the Work in compliance with all Federal, State and Municipal Environmental, Health and Safety laws and regulations, statutes, rules, codes, plans, orders, judgments, decrees, official norms, including but not limited to the General Law of Ecological Balance and Environmental Protection as amended, the General Law of Prevention and Integral Management of Wastes and its regulations and the Applicable Mexican Official Standards as well as under special laws and regulations in the areas of (i) environmental impact; (ii) prevention and control of air pollution; (iii)prevention and control of water pollution; and (iv) hazardous wastes, the National Waters Law and its Regulations, the Regulations on land transportation of hazardous materials and wastes, the Law of Ecological Balance and Environmental Protection for the State of Tamaulipas and its Regulations, the General Regulations on Safety and Environmental Health in the Workplace, as applicable, and all other bodies of law as applicable (hereinafter the "Laws").

CONTRACTOR agrees to indemnify and hold OWNER, its officers, representatives, board members, employees and agents, harmless with respect to any action, proceeding, fine, penalty, information, judgment, order, decree and change asserted against OWNER for the breach of the Laws by CONTRACTOR in the performance of the Works and for any damages and losses ("*daños y perjuicios*") caused to OWNER and/or third parties from such circumstance in accordance with Mexican law.

Other than those caused by acts or omissions of CONTRACTOR, its employees, subcontractors, suppliers, employees, consultants and/or agents, in the execution of the Work under the terms of this Contract, OWNER shall assume any and all environmental liabilities upon its possession of any portion of the Building and Premises caused by its use of same; and thus, will ensure that its operations shall be free of, and will not be subject to, any spill, environmentally harmful accident or final disposal or recycling of any material or

waste that is deemed hazardous or dangerous under the terms of the Laws, and agrees to indemnify and to hold CONTRACTOR in peace and safe from harm against any all liabilities imposed on CONTRACTOR, including penalties, losses, demands, claims, payments, suits, actions, recoveries and judgments of an environmental nature brought against it by reason of any act, omission or misrepresentation of OWNER, Construction Manager, its agents or employees, or any of its Subcontractors, their agents or employees, in the execution of their operation and activities in the Building and the Premises. OWNER shall conduct its activities in compliance with the Laws.

OWNER agrees to indemnify and hold CONTRACTOR, its officers, representatives, board members, employees and agents, harmless with respect to any action, proceeding, fine, penalty, information, judgment, order, decree and change asserted against CONTRACTOR for the breach of the Laws by OWNER in execution of its activities and for any damages and losses (“*daños y perjuicios*”) caused to CONTRACTOR in accordance with Mexican law, other than those caused by acts or omissions of CONTRACTOR, its employees, subcontractors, suppliers, employees, consultants and/or agents in the execution of the Work under the terms of this Contract.

CLAUSE 27. LABOR RESPONSIBILITY

The parties shall assume all labor responsibility for all their respective personnel assigned to or contracted for the performance of the Work, and agree to strictly comply with all their obligations as employers with respect to their respective personnel under the Federal Labor Law, the Mexican Institute of Social Security Law; the National Institute of the Fund for Workers Housing Law and all regulations and ordinances issued under any applicable law.

In the event the CONTRACTOR or its Subcontractors needs for any reason to hire workers that are unionized, such workers will be preferably hired and the appropriate collective bargaining agreements will be entered into with the same union with which the OWNER has executed a Collective Bargaining Agreement.

The parties agree to indemnify and hold each other harmless in the event of any labor claim filed by any their respective workers or employees, their Subcontractors or Suppliers as well as any claim filed by the Mexican Institute of Social Security or the Institute of the National Fund for Workers Housing due to their failure to make payment of their respective dues and taxes derived from the performance of this CONTRACT. The CONTRACTOR will be obligated to appoint the OWNER as the owner of the Work in the respective registration notice it files with the Mexican Institute of Social Security, and it must provide to the OWNER stamped copy of said notice upon final acceptance of the Work.

CLAUSE 28. SUBCONTRACTORS.

Upon execution of this Contract, CONTRACTOR shall submit a list of contractors for evaluation and approval by OWNER and Construction Manager. The list of Subcontractors shall become a part hereof as **Exhibit “F”**. The selection and supervision of Subcontractors shall be made by the CONTRACTOR at its own responsibility.

The CONTRACTOR agrees that it is fully responsible towards the OWNER and Construction Manager for all acts and omissions of its Subcontractors and of persons either directly or indirectly employed by them, as well as for acts and omissions of persons directly employed by it.

Nothing contained herein or in the drawings or specifications shall create any contractual relationship between the OWNER and any Subcontractor. The CONTRACTOR is not authorized to make any commitment on behalf of the OWNER or Construction Manager, unless previously authorized to do so in writing by the OWNER or OWNER'S Representative.

The CONTRACTOR agrees to bind all Subcontractors and they in turn agree to be bound by the terms hereof insofar as they apply to the Work.

The CONTRACTOR shall not delegate to Subcontractors the responsibilities and obligations corresponding to the CONTRACTOR under this Contract.

The CONTRACTOR shall cause that all provisions contained herein in regard to warranty, changes and modifications in the Work, final acceptance of the Work, the right to inspections by the OWNER, OWNER'S right to terminate the Contract and OWNER'S right to be assigned with the subcontracts if so chosen, be included in the Contract signed with each one of the Subcontractors.

The CONTRACTOR shall not contract with a proposed person or entity to which the OWNER or Construction Manager has made reasonable and timely objection. The CONTRACTOR shall not be required to contract with anyone to whom the CONTRACTOR has made reasonable objection.

The CONTRACTOR shall not change a Subcontractor person or entity previously selected if the OWNER or Construction Manager makes reasonable objection to such change. The OWNER and Construction Manager shall not request the change of a Subcontractor which they have previously authorized.

CLAUSE 29. CLAIMS.

A Claim is a demand or assertion by one of the parties seeking, as a matter of right, adjustments or interpretation of Contract terms, payment of money, extension of time or other relief with respect to the terms of the Contract. The term "Claim" also includes other disputes and matters in question between the OWNER and CONTRACTOR arising out of or relating to the Contract Claims must be made by written notice. The responsibility to substantiate Claims shall rest with the party making the Claim.

Decision of Construction Manager. Claims, including those alleging an error or omission by the CONTRACTOR in the preparation of the plans and specifications for the

Work, shall be referred initially to the Construction Manager for action. A decision by the Construction Manager, shall be required as a condition precedent to arbitration and/or litigation of Claim between the CONTRACTOR and OWNER as to all such matters arising prior to the date final payment is due, regardless of (1) whether such matters relate to execution and progress of the Work or (2) the extent to which the Work has been completed. The decision by the Construction Manager in response to a Claim shall not be a condition precedent to arbitration and/or litigation in the event (1) the position of Construction Manager is vacant, (2) the Construction Manager has not received evidence or has failed to render a decision within agreed time limits, or (3) the Construction Manager has failed to take action within ten (10) Days after the claim is made.

In the event that any of the parties does not agree with the Construction Manager's decision of a Claim, as set forth above, the disagreeing party may request the Engineering College in the city of H. Matamoros, State of Tamaulipas, to appoint an expert approved by both parties, who shall be a person of known prestige and experience in matters of industrial design and construction, in order to resolve such Claim. The expert shall decide the dispute based upon a strict enforcement of the rights and obligations set forth in the Contract. The decision of said expert shall be binding upon both parties. The fees and expenses involved for the resolution of the dispute shall be equally borne by both parties.

Time Limits on Claims. In the understating that Claims during the warranty period will not have a time limit to exercise them by OWNER, Claims by either party must be made within 10 Days after occurrence of the event giving rise to such Claim or within 10 Days after the claimant first recognizes the condition giving rise to the Claim, whichever is later. Claims must be made by written notice. An additional Claim made after the initial Claim has been implemented by Change Order will not be considered unless submitted in a timely manner.

Neither the final payment nor any part of the retained percentage shall become due until the CONTRACTOR delivers to the OWNER a complete release and waiver of lien by the CONTRACTOR and Subcontractors and Suppliers of all claims arising out of this Contract, or receipts for the full value of the Work in lieu thereof, together with an affidavit stating that the receipts include all the labor and materials for which a claim could be filed.

The duties and obligations imposed by the Contract Documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law.

CLAUSE 30. INSPECTIONS AND FINAL ACCEPTANCE

- (a) The Work shall be subject to inspection by the OWNER and its authorized representatives during its construction and at other times and places during normal working hours.
- (b) The Work shall be subject to one Final Inspection and acceptance. Such Final Inspection in full or in part shall be made within three (3) Days after the corresponding

notice of the completion of the Work by the CONTRACTOR is delivered to the OWNER.

(c) Five (5) calendar days after said Final Inspection, the OWNER must accept the Work in writing and it shall deliver the amounts retained as per paragraph (c) of Clause 25 (twenty-five) hereof, minus the cost to cover the punch list items. The CONTRACTOR shall generate and publish a punch list, containing pending or defective items that are to be completed or repaired on or before thirty (30) calendar after the Final Inspection of the Work by the OWNER. The OWNER shall receive a copy of this punch list, review it for completeness and ensure that the items listed on the punch list are completed to the OWNER'S satisfaction prior to releasing the amount withheld to cover the cost of the punch list items. The parties shall agree on the amount to be withheld for punch list items. Failure to include any items on the punch list will not alter the responsibility of the CONTRACTOR to complete the Work pursuant to the Drawings and Specifications.

Upon request of the CONTRACTOR, completed defined portions of the Work or punch list items will be subject to inspection by the OWNER within three (3) Days after the OWNER is notified of their completion, which inspections shall be in accordance with the same terms, conditions and effects as set for the Final Inspection. Such partial inspections will not relieve CONTRACTOR from its guarantee obligation under Clause 21 hereof.

(d) Within three (3) Days after any inspection (other than the Final Inspection) requested by the CONTRACTOR is performed, OWNER shall inform the CONTRACTOR in writing of any defects or imperfections of the portion of the Work inspected.

(e) If from said Final Inspection OWNER agrees with CONTRACTOR'S performance of the Work, the parties shall sign a delivery minutes for said portion of the inspected Work.

CLAUSE 31. OCCUPANCY, CONTRACTUAL PENALTY AND EARLY COMPLETION INCENTIVE.

(a) Independently of the earlier use of the Building and machinery and equipment installation to which the OWNER has a right to, in accordance with the provisions herein, the CONTRACTOR agrees and accepts that on the dates referred to in Clause First and Fifth herein, the OWNER shall have "Beneficial Occupancy" of the Work, then receive the Work "Substantially Completed" and then "Finally Completed". Such terms shall be understood as defined under Clause First and Fifth herein.

(b) The Work shall be subject to a comprehensive inspection prior to acceptance of each of such phases. Such Inspections shall be made within seven (7) calendar days after notice that the Work is ready for each of such phases by the CONTRACTOR.

(c) If the inspection performed by the OWNER confirms that substantially all the Work is ready for the corresponding phase, the OWNER must accept in writing the corresponding phase of the Building. At the same time, as it may correspond, the respective punch list will be prepared by the OWNER containing pending or defective items that are to be completed or repaired on or before thirty (30) calendar Days thereafter.

(d) The parties agree that for the delivery of the High Bay Area, as set forth in Clause Fifth, (a), paragraph 1 above, or delay thereof, the following penalty and incentive shall apply:

- (i) In the event that CONTRACTOR does not deliver to OWNER the High Bay Area, (except if such delay is due to causes directly attributable to OWNER) on the dates established on Clause Fifth (a) paragraph 1; CONTRACTOR shall be liable for a daily penalty equivalent to US\$5,000.00 (Five Thousand Dollars) per each day of delay on the dates established on the abovementioned Clause. In any event, the parties hereby agree that the penalty herein provided will not be cumulative.
- (ii) In the event that CONTRACTOR delivers to OWNER the High Bay Area before the dates set forth in Clause 5 (a), paragraph 1 above, then, OWNER shall pay to CONTRACTOR a daily incentive equivalent to US\$5,000.00 (Five Thousand Dollars) per each day of early delivery of the High Bay Area to OWNER. Should the other target dates provided in Clause 5 (a), paragraph 1, not be delivered as early as Beneficial Occupancy of the High Bay Area, or are delivered with less Days of early delivery, then, the incentive will be based on the fewest days of early delivery. The number of days on the delivery dates will not be cumulative.

CLAUSE 32. TERMINATION OR SUSPENSION OF THE CONTRACT.

Termination by the OWNER without cause.

(a) The OWNER, at its sole discretion, may terminate this Contract without cause for any reason whatsoever by sending notice to the CONTRACTOR at least twenty (20) Days prior to the effective date of termination specified in such notice. After receipt of notice of termination, the CONTRACTOR shall terminate all work under the Contract immediately, but in no event later than on the date specified in such notice and, at OWNER'S option, any and all contracts with Subcontractors shall be, to the extent possible, immediately assigned to OWNER and it may instruct CONTRACTOR to:

- (1) Terminate all orders and subcontracts chargeable to the performance of this Contract, which may be terminated without cost;
- (2) Terminate and settle subject to approval of the OWNER, other orders and subcontracts where the cost of settlement will be less than costs which would be incurred if such orders and Subcontracts were to be completed; and
- (3) Transfer to the OWNER, in accordance with OWNER'S directions all materials, supplies, work in process, facilities and equipment acquired by the CONTRACTOR in connection with the performance of the Work and for which the CONTRACTOR

is to be reimbursed hereunder, and all drawings, working drawings, sketches, specifications and information accumulated for use in the performance of the Work.

The CONTRACTOR shall, if directed by the OWNER and to the extent stated in the notice of termination, do such Work as may be necessary to preserve the Work in progress and to protect material, plant and equipment on the Work or in transit thereto.

(b) Upon termination of the Contract and compliance by the CONTRACTOR with the provisions of the preceding paragraph, the OWNER shall pay the CONTRACTOR in discharge of all of its obligations under the Contract, for:

- (1) Such portion of the Work as the CONTRACTOR and its Subcontractors shall have completed; plus
- (2) The cost to the CONTRACTOR for materials which have been delivered to the plant site of the OWNER up to the effective date of termination; plus
- (3) The cost to the CONTRACTOR of acquired materials and equipment to be used during the term of the Work, for which bona fide irrevocable orders have been placed by the CONTRACTOR prior to the effective date of termination which have not been terminated and settled hereunder; plus
- (4) The cost to the CONTRACTOR of termination and settling orders and subcontracts in accordance with this provision; plus
- (5) The cost to the CONTRACTOR of complying with the OWNER'S directions relative to the preservation of the Work in progress and the protection of materials, plant and equipment on the Work or in transit thereto; plus
- (6) The cost incurred by CONTRACTOR in the procurement of the permits and governmental authorizations in order to perform the Work;
- (7) The cost and expenses arising from the reasonable settlement and/or early termination of the CONTRACTOR'S employees labor contracts directly involved in the Work, excluding management positions;
- (8) Any other legitimate costs and expenses which CONTRACTOR actually disburse in connection with the early termination hereof and delivers proof of same to OWNER;
- (9) A 7% (seven percent) profit of the difference between the Contract Sum and the sum of any and all (i) progress payments effectively made by OWNER to CONTRACTOR herein up to the effective date of termination; and (ii) those costs to be paid, as referred in the provisions herein above in this paragraph (b).

(c) Notwithstanding any other right of CONTRACTOR herein provided, CONTRACTOR

shall have the right to collect from OWNER, for loss, damage or otherwise, on account of such termination by OWNER, the compensation and payment in accordance with the above provisions.

Upon termination of this Contract pursuant to this Clause, OWNER shall pay to CONTRACTOR all amounts arising therefrom within the next twenty (20) Days after the termination date.

In any and all subcontracts entered into between the CONTRACTOR and its Subcontractors, in any and all other commitments and obligations which the CONTRACTOR may undertake or incur, all in connection with the Work under this Contract, the CONTRACTOR shall, to the extent possible, make provisions consistent with this Section relative to termination of the Contract by the OWNER and the payment of obligations in connection therewith.

Without prejudice to any other rights or remedies of OWNER, OWNER may, upon termination and payment hereof:

1. Take possession of the site and of all materials, equipment, tools, and construction equipment and machinery thereon owned by the OWNER;
2. Accept assignment of subcontracts if so elected by OWNER; and
3. Finish the Work by whatever reasonable method the OWNER may deem expedient.

CLAUSE 33. TERMINATION FOR BREACH OF CONTRACT.

Should the CONTRACTOR at any time (i) be adjudicated as bankrupt, makes a general assignment for the benefit of creditors, makes or permits the appointment of a receiver for all or substantially all its property, or fails or refuses to prosecute the Work as provided for herein or (ii) fails to perform any other requirement of this Contract and does not start to cure such failure within the next five (5) Days after written notice thereof is given by OWNER or presents in writing reasonable argumentation acceptable to the OWNER as to why such action is not necessary or required or (iii) does not cure such failure within a reasonable term satisfactory to OWNER taking into consideration such failure, the OWNER shall have the right, at its election and without prejudice to any other remedies, to perform an inventory of the advance of the Work up to the date of termination and take possession for the purposes of completing the Work, of all materials, tools, equipment and appliances at the site (which are not owned by the CONTRACTOR or Subcontractors), and either complete or employ any other person or persons to complete the Work. A copy of such inventory shall be delivered to the CONTRACTOR. In case of such termination of the employment of the CONTRACTOR, CONTRACTOR shall not be entitled to any further payment other than the portion of the Work completed pursuant to the Contract Documents up to the effective date of termination, without prejudice to OWNER'S right to collect from CONTRACTOR any and all damages and losses caused to OWNER as a result of CONTRACTOR'S breach.

CONTRACTOR shall be liable for the Work it has performed until the date of termination hereof.

Should OWNER or its holding company at any time (i) be adjudicated as bankrupt or (ii) fails to perform any of its obligations under this Contract and does not start to cure such failure within the next five (5) Days of receiving written notice from CONTRACTOR of such failure, the CONTRACTOR shall have the right to, at its own discretion, (i) terminate this Contract or (ii) request the full compliance of OWNER'S obligations hereunder, and CONTRACTOR shall have the right to collect the reasonable cost and expenses that it may incur by reason of OWNER'S failure to comply herewith, all other amounts CONTRACTOR shall have right to as set forth in this Contract and any all damages caused to CONTRACTOR due to OWNER'S breach hereof.

CLAUSE 34. TEMPORARY POWER, WATER, AND LIGHTING.

The CONTRACTOR shall provide at its expense any temporary facilities and utilities required for completion of the Work described in the specification unless otherwise specified in the documents attached hereto as **Exhibit "B"**. Such temporary facilities and utilities shall include but not be limited to:

- (a) Temporary construction roads, ramps and approaches and maintain them in a serviceable condition for use by all persons performing work in connection with this construction project.
- (b) Main ladders and runways for the performance of the Work. Subcontractors shall provide additional ladders and runways as required for the performance of their own Work.
- (c) Field offices and other temporary facilities such as offices, bathrooms, construction and storage sheds, that the CONTRACTOR and its Subcontractors may require. The design and location of these temporary facilities shall be as approved by the OWNER which consent must be granted or denied by the OWNER within five (5) Days and shall not be unreasonably withheld. When directed by the OWNER, the CONTRACTOR shall remove the temporary facilities and shall be responsible for Subcontractors, removing their temporary structures from the premises if same are not necessary to continue with the Work.
- (d) Fire protection for the field offices and other temporary structures as required. The CONTRACTOR shall provide and place in each field office and temporary structure the fire extinguishers to treat electrical, as well as wood, textile, paper and rubbish fires. All extinguishers shall be maintained in first class operating condition.
- (e) Temporary dust control measures acceptable to the OWNER and Construction Manager, at CONTRACTOR'S cost.

CLAUSE 35. ASSIGNMENT.

This Contract is binding upon both parties hereto, its successors, assigns and transferees. Neither party may assign this Contract or sublet it as a whole without the written consent of the other, nor shall the CONTRACTOR assign any monies to become due hereunder without the previous written consent of the OWNER. However, the parties hereof may assign this Contract to any of its corporate affiliates or subsidiaries without the consent of each other.

CLAUSE 36. APPLICABLE LAW AND JURISDICTION.

On everything related to the interpretation and compliance with this Contract, the parties shall abide by the provisions of the Civil Code for the State of Tamaulipas and they submit themselves to the jurisdiction of the Courts in Matamoros, State of Tamaulipas, United Mexican States, thus expressly waiving any other jurisdiction to which they may be entitled to due to their present or future domiciles or due to any other reason whatsoever.

CLAUSE 37. NOTICES

All notices required or desired to be given under this Contract shall be in writing and delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

OWNER:

Core Composites De Mexico, S. de R.L. de C.V.

Prol. Ave. Uniones y Av. Michigan
Parque Industrial del Norte
Matamoros, State of Tamaulipas
México
Tel. (868) 810-0060
Fax: (868) 810-0065
Attn: Mr. **Mark Murfitt**

With a copy to:

Baker & McKenzie Abogados, S.C.
Oficinas en el Parque, Piso 10
Boulevard Constitución No. 1884, Pte.
64650 Monterrey, N.L.
Tel. (81) 8399-1300
Fax (81) 8399-1399
Attn.: Juan Bernardo García Garza and/or Juan Salvador Vazquez Silveyra

CONTRACTOR:

AS Construcciones del Norte, S.A. de C.V.
Calixto de Ayala #105, Altos B, Colonia San Francisco, 87350
H. Matamoros, State of Tamaulipas
Mexico
Tel: +52 1 (868) 816-1140
Fax: +52 1 (868) 813-5729
Attn: Mr. Victor Alfonso Sánchez Ruelas

Or to such other address as any of the parties may designate in writing.

CLAUSE 38. SOLE AGREEMENT.

This Contract as well as its Exhibits, conform the total and only agreement between the parties hereof as of this date and shall prevail over any other prior covenant, agreement or understanding between the parties, either written or oral.

This Contract is executed by the parties in Matamoros, State of Tamaulipas, on this 27 of August of 2008, in the English and Spanish languages. In the event of any discrepancy between the two texts, the Spanish version shall prevail.

OWNER
Corecomposites de Mexico, S. de R.L. de C.V.

By: Stephen John Klestinec

Title: Attorney-in-Fact

CONTRACTOR

AS Construcciones del Norte, S.A de C.V

By : Mr. Victor Alfonso Sanchez-Ruelas

Title: Attorney-in-Fact

WITNESS

WITNESS

EXHIBITS

- A. Copy of the Articles of Incorporation and current By-Laws of the OWNER.
- B. Drawings and Specifications (Contract Documents).
- C. Copy of the Power of Attorney of the OWNER'S representative.
- D. Copy of the Articles of Incorporation and current By-Laws of CONTRACTOR.
- E. Form of Change Order.
- F. List of Materials and Subcontractors.
- G. Copy of Power of Attorney of the CONTRACTOR'S representative.
- H. Butler Payment Schedule
- I. High Bay Area Delivery Map

SECTION 302 CERTIFICATION

I, Kevin L. Barnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Core Molding Technologies, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ Kevin L. Barnett

Kevin L. Barnett

President, Chief Executive Officer, and Director

SECTION 302 CERTIFICATION

I, Herman F. Dick, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Core Molding Technologies, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ Herman F. Dick, Jr.

Herman F. Dick, Jr.

Vice President, Secretary, Treasurer and Chief
Financial Officer

CORE MOLDING TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Core Molding Technologies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin L. Barnett, President, Chief Executive Officer, and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin L. Barnett

Kevin L. Barnett

President, Chief Executive Officer, and Director

November 12, 2008

CORE MOLDING TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Core Molding Technologies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Herman F. Dick, Jr., Vice President, Secretary, Treasurer, and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Herman F. Dick, Jr.

Herman F. Dick, Jr.

Vice President, Secretary, Treasurer and Chief Financial
Officer

November 12, 2008