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

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

Commission file number 1-12084

Libbey Inc.
(Exact name of registrant as specified in its charter)

Delaware	34-1559357
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

300 Madison Avenue, Toledo, Ohio 43604
(Address of principal executive offices) (Zip Code)

419-325-2100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark 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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

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

Common Stock, $.01 par value 16,088,705 shares at October 30, 2009.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements of Libbey Inc. and all majority-owned subsidiaries (collectively, Libbey or the Company) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Item 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

LIBBEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per-share amounts)
(unaudited)

	Three months ended September 30, 2009	2008
Net sales	$ 186,878	$ 211,536
Freight billed to customers	419	664
Total revenues	187,297	212,200
Cost of sales	144,337	174,266
Gross profit	42,960	37,934
Selling, general and administrative expenses	24,811	23,377
Special charges	300	—
Income from operations	17,849	14,557
Other income (expense)	2,703	(1,000)
Earnings before interest and income taxes	20,552	13,557
Interest expense	17,451	17,509
Income (loss) before income taxes	3,101	(3,952)
(Benefit from) provison for income taxes	(432)	2,006
Net income (loss)	$ 3,533	$ (5,958)
Net income (loss) per share:		
Basic	$ 0.23	$ (0.40)
Diluted	$ 0.23	$ (0.40)
Dividends per share	$ —	$ 0.025

See accompanying notes

LIBBEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per-share amounts)
(unaudited)

	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Net sales	$ 540,557	$ 623,640
Freight billed to customers	1,163	1,947
Total revenues	541,720	625,587
Cost of sales	453,761	515,148
Gross profit	87,959	110,439
Selling, general and administrative expenses	69,699	67,687
Special charges	974	—
Income from operations	17,286	42,752
Other income	5,424	339
Earnings before interest and income taxes	22,710	43,091
Interest expense	52,162	52,280
Loss before income taxes	(29,452)	(9,189)
(Benefit from) provision for income taxes	(7,756)	2,365
Net loss	$ (21,696)	$ (11,554)
Net loss per share:		
Basic	$ (1.45)	$ (0.79)
Diluted	$ (1.45)	$ (0.79)
Dividends per share	$ —	$ 0.075

See accompanying notes

LIBBEY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share amounts)

	September 30, 2009 (unaudited)	December 31, 2008
Assets:		
Cash and equivalents	$ 30,648	$ 13,304
Accounts receivable — net	91,119	76,072
Inventories — net	153,523	185,242
Prepaid and other current assets	14,116	17,167
Total current assets	289,406	291,785
Pension asset	10,560	9,351
Purchased intangible assets — net	25,293	26,121
Goodwill	165,023	166,736
Other assets	12,033	12,714
Total other assets	212,909	214,922
Property, plant and equipment — net	296,862	314,847
Total assets	$ 799,177	$ 821,554
Liabilities and Shareholders' Deficit:		
Notes payable	$ 1,517	$ 3,284
Accounts payable	52,087	54,428
Salaries and wages	31,703	22,597
Accrued liabilities	60,033	39,675
Accrued special charges	908	4,248
Pension liability (current portion)	1,579	1,778
Non-pension postretirement benefits (current portion)	4,684	4,684
Derivative liability	10,720	17,936
Deferred income taxes	1,791	1,279
Long-term debt due within one year	9,152	1,117
Total current liabilities	174,174	151,026
Long-term debt	516,030	545,856
Pension liability	99,328	109,505
Non-pension postretirement benefits	59,612	57,197
Deferred income taxes	3,726	3,648
Other long-term liabilities	8,299	12,211
Total liabilities	861,169	879,443
Shareholders' deficit:		
Common stock, par value $.01 per share, 50,000,000 shares authorized, 18,697,630 shares issued at September 30, 2009 and at December 31, 2008	187	187
Capital in excess of par value (includes warrants of $1,034 based on 485,309 shares at September 30, 2009 and at December 31, 2008)	310,792	309,275
Treasury stock, at cost, 3,542,070 shares (3,967,486 shares in 2008)	(95,184)	(106,411)
Retained deficit	(177,339)	(145,154)
Accumulated other comprehensive loss	(100,448)	(115,786)
Total shareholders' deficit	(61,992)	(57,889)
Total liabilities and shareholders' deficit	$ 799,177	$ 821,554

See accompanying notes

LIBBEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Three months ended September 30,	
	2009	2008
Operating activities:		
Net income (loss)	$ 3,533	$ (5,958)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,629	10,899
Loss on asset sales	77	159
Change in accounts receivable	864	7,109
Change in inventories	(6,196)	(5,712)
Change in accounts payable	(3,191)	(9,695)
Accrued interest and amortization of discounts, warrants and finance fees	13,447	14,749
Pension & non-pension postretirement benefits	(453)	(13,252)
Restructuring charges	(1,086)	—
Accrued liabilities & prepaid expenses	8,344	5,842
Accrued income taxes	(862)	2,900
Other operating activities	1,533	6,268
Net cash provided by operating activities	26,639	13,309
Investing activities:		
Additions to property, plant and equipment	(2,737)	(12,390)
Proceeds from asset sales and other	172	71
Net cash used in investing activities	(2,565)	(12,319)
Financing activities:		
Net repayments on ABL credit facility	(16,799)	(8,669)
Other repayments	(662)	(587)
Dividends	—	(369)
Net cash used in financing activities	(17,461)	(9,625)
Effect of exchange rate fluctuations on cash	(47)	(529)
Increase (decrease) in cash	6,566	(9,164)
Cash at beginning of period	24,082	17,883
Cash at end of period	$ 30,648	$ 8,719
Supplemental disclosure of cash flows information:		
Cash paid during the period for interest	$ 894	$ 1,721
Cash refunded during the period for income taxes	$ (546)	$ (167)

See accompanying notes

LIBBEY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Nine months ended September 30, 2009	2008
Operating activities:		
Net loss	$ (21,696)	$ (11,554)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,875	33,433
Loss on asset sales	109	35
Change in accounts receivable	(14,733)	(10,351)
Change in inventories	32,050	(10,756)
Change in accounts payable	(3,078)	(15,607)
Accrued interest and amortization of discounts, warrants and finance fees	14,998	16,709
Pay-in-kind note interest	11,916	10,216
Pension & non-pension postretirement benefits	2,712	(13,982)
Restructuring charges	(1,837)	—
Payable to Vitro	—	(19,575)
Accrued liabilities & prepaid expenses	21,128	3,277
Accrued income taxes	(9,499)	3,661
Other operating activities	784	4,744
Net cash provided by (used in) operating activities	65,729	(9,750)
Investing activities:		
Additions to property, plant and equipment	(12,287)	(30,002)
Proceeds from asset sales and other	260	117
Net cash used in investing activities	(12,027)	(29,885)
Financing activities:		
Net (repayments) borrowings on ABL credit facility	(33,488)	14,713
Other repayments	(2,785)	(1,460)
Dividends	—	(1,098)
Net cash (used in) provided by financing activities	(36,273)	12,155
Effect of exchange rate fluctuations on cash	(85)	(340)
Increase (decrease) in cash	17,344	(27,820)
Cash at beginning of period	13,304	36,539
Cash at end of period	$ 30,648	$ 8,719
Supplemental disclosure of cash flows information:		
Cash paid during the period for interest	$ 20,897	$ 23,011
Cash paid (refunded) during the period for income taxes	$ 761	$ (562)

See accompanying notes

LIBBEY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share data
(unaudited)

1. Description of the Business

Libbey is the leading producer of glass tableware products in the Western Hemisphere, in addition to supplying key markets throughout the world. We produce glass tableware in five countries and sell to customers in over 100 countries. We have the largest manufacturing, distribution and service network among glass tableware manufacturers in the Western Hemisphere and are one of the largest glass tableware manufacturers in the world. We design and market an extensive line of high-quality glass tableware, ceramic dinnerware, metal flatware, hollowware and serveware, and plastic items to a broad group of customers in the foodservice, retail and business-to-business markets. We own and operate two glass tableware manufacturing plants in the United States as well as glass tableware manufacturing plants in the Netherlands, Portugal, China and Mexico. We also own and operate a plastics plant in Wisconsin. Until April 9, 2009, we operated a ceramic dinnerware manufacturing facility in Syracuse, New York. In addition, we import products from overseas in order to complement our line of manufactured items. The combination of manufacturing and procurement allows us to compete in the global tableware market by offering an extensive product line at competitive prices.

Our website can be found at www.libbey.com . We make available, free of charge, at this website all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, as well as amendments to those reports. These reports are made available on our website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission and can also be found at www.sec.gov .

Our shares are traded on the Over the Counter Bulletin Board (OTC BB) under the ticker symbol LYBI.OB.

2. Significant Accounting Policies

See our Form 10-K for the year ended December 31, 2008 for a description of significant accounting policies not listed below.

Basis of Presentation

The Condensed Consolidated Financial Statements include Libbey Inc. and its majority-owned subsidiaries (collectively, Libbey or the Company). Our fiscal year end is December 31 st . All material intercompany accounts and transactions have been eliminated. The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from management's estimates.

Condensed Consolidated Statements of Operations

Net sales in our Condensed Consolidated Statements of Operations include revenue earned when products are shipped and title and risk of loss have passed to the customer. Revenue is recorded net of returns, discounts and incentives offered to customers. Cost of sales includes cost to manufacture and/or purchase products, warehouse, shipping and delivery costs and other costs.

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive loss. Income and expense accounts are translated at average exchange rates during the year. The effect of exchange rate changes on transactions denominated in currencies other than the functional currency is recorded in other (expense) income.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax attribute carry-forwards. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Financial Accounting Standards Board Accounting Standards Codification™ (FASB ASC) Topic 740, "Income Taxes" (formerly FAS No. 109, "Accounting for Income Taxes,") requires that a valuation allowance be recorded when it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are determined separately for each tax jurisdiction in which we conduct our operations or otherwise incur taxable income or losses. In the United States and China, we have recorded a full valuation allowance against our deferred income tax assets. In addition, partial valuation allowances have been recorded in the Netherlands, Portugal and Mexico.

Stock-Based Compensation Expense

We account for stock-based compensation in accordance with Financial Accounting Standards Board Accounting Standards Codification™ (FASB ASC) Topic 718, "Compensation – Stock Compensation" and in FASB ASC 505-50, "Equity – Equity-Based Payments to Non-Employees" (formerly SFAS No. 123-R, "Accounting for Stock-Based Compensation"). Stock-based compensation cost is measured based on the fair value of the equity instruments issued. SFAS No. 123-R applies to all of our outstanding unvested stock-based payment awards as of January 1, 2006, and all prospective awards using the modified prospective transition method without restatement of prior periods. Stock-based compensation expense charged to the Condensed Consolidated Statement of Operations for the three months and nine months ended September 30, 2009 was $0.5 million and $1.6 million, respectively. The stock-based compensation expense charged to the Condensed Consolidated Statement of Operations for the three months and nine months ended September 30, 2008 was $0.7 million and $2.8 million, respectively.

New Accounting Standards

On July 1, 2009 the FASB Accounting Standards Codification™ became the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Codification is not intended to change U.S. GAAP; instead, it reorganized the various U.S. GAAP pronouncements into approximately 90 accounting Topics, and displays all Topics using a consistent structure. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Accordingly, in our discussion of New Accounting Standards below, we have incorporated references to the Codification Topics. For further discussion of the Codification, see the discussion of SFAS No. 168 below.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157") . SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This statement clarifies how to measure fair value as permitted under other accounting pronouncements but does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP157-2"), which delayed until January 1, 2009 the effective date of SFAS 157 for nonfinancial assets and liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued FASB Staff Position 157-3, "Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active" ("FSP 157-3"), which clarifies the application of SFAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. FSP 157-3 was effective upon issuance. In April 2009, the FASB issued FASB Staff Position 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are not Orderly" ("FSP 157-4"). This FSP provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 was effective for financial periods ending after June 15, 2009. We adopted SFAS 157 as of January 1, 2008, but had not applied it to non-recurring, nonfinancial assets and liabilities. The adoption of SFAS 157 and its related FSPs (FSP 157-2, FSP 157-3 and FSP 157-4) had no impact on our consolidated results of operations and financial condition. We adopted SFAS 157 for nonfinancial assets and liabilities as of January 1, 2009. The adoption of SFAS 157 for nonfinancial assets and liabilities did not have a material impact on our consolidated financial statements. See notes 4, 9 and 13 of the Condensed Consolidated Financial Statements for additional information. The requirements of SFAS No. 157 and its related FSPs have been incorporated primarily into FASB ASC 820, "Fair Value Measurements and Disclosures" and FASB ASC 250, "Accounting Changes and Error Corrections."

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"), which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 re-characterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders equity. We adopted SFAS 160 as of January 1, 2009. The adoption of SFAS 160 did not have any impact on our consolidated financial statements as we currently do not have any noncontrolling interests. The requirements of SFAS No. 160 have been incorporated primarily into FASB ASC 810, "Consolidation."

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"), which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. SFAS 161 was effective for Libbey on January 1, 2009. Since SFAS 161 only requires additional disclosures, adoption of this statement did not have a material impact on our consolidated financial statements. See note 9 of the Condensed Consolidated Financial Statements for additional information. The requirements of SFAS No. 161 have been incorporated primarily into FASB ASC 815, "Derivatives and Hedging".

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." FSP 142-3 was effective for Libbey on January 1, 2009. The adoption of FSP 142-3 did not have a material impact on our consolidated financial statements. The requirements of FSP 142-3 have been incorporated primarily into FASB ASC 350-30, "Intangibles – Goodwill and Other – General Intangibles Other than Goodwill" and FASB ASC 275, "Risks and Uncertainties."

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). EITF 07-5 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 was effective for Libbey on January 1, 2009. The adoption of EITF 07-5 did not have any impact on our consolidated financial statements. The requirements of EITF 07-5 have been incorporated primarily into FASB ASC 815-40, "Derivatives and Hedging – Contracts in Entity's Own Equity."

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("FSP 03-6-1"). FSP 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of SFAS No. 128, "Earnings per Share." FSP 03-6-1 was effective for Libbey on January 1, 2009, and requires that all prior period EPS data is adjusted retrospectively. The adoption of FSP 03-6-1 did not have a material impact on our consolidated financial statements. The requirements of FSP 03-6-1 have been incorporated primarily into FASB ASC 260, "Earnings Per Share."

In December 2008, the FASB issued FASB Staff Position 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"). FSP 132(R)-1 amends FASB Statement No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. We are currently evaluating the potential impact of the adoption of FSP 132(R)-1. The requirements of FSP 132(R)-1 have been incorporated primarily into FASB ASC 715-20, "Compensation – Retirement Benefits."

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"). FSP 107-1 amends FASB statement 107, "Disclosures about Fair Value of Financial Instruments", to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, "Interim Financial Reporting," to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 was effective for interim reporting periods ending after June 15, 2009. Since FSP 107-1 required only additional disclosures, adoption of this statement did not have a material impact on our consolidated financial statements. See note 4 of the Condensed Consolidated Financial Statements for additional information. The requirements of FSP 107-1 have been incorporated primarily into FASB ASC 825, "Financial Instruments."

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS 165”). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. In accordance with SFAS 165, we have evaluated and, as necessary, made changes to these unaudited condensed financial statements for the events through November 9, 2009, the date that the financial statements were issued. As documented in our filing on Form 8-K on October 29, 2009, we announced a debt exchange wherein $160.9 million of PIK notes were exchanged for a combination of debt and equity. This is considered a nonrecognized subsequent event, meaning that we have provided disclosure of the event, but have not recognized the transaction in the financial statements. Please see note 14 for further discussion of this subsequent event. The requirements of SFAS 165 have been incorporated primarily into FASB ASC 855, “Subsequent Events.”

In June 2009 the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162” (“SFAS 168”). The objective of SFAS 168 is to replace SFAS No. 162 “The Hierarchy of Generally Accepted Accounting Principles” (“SFAS 162”) and to establish the FASB Accounting Standards Codification ™ (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All previous existing accounting standards are superseded by the Codification as described in SFAS 168. All other accounting literature not included in the Codification is non-authoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of SFAS 168 did not have a material impact on our consolidated financial statements. The first update of the Codification was Accounting Standards Update (ASU) 2009-01, issued in June, 2009. ASU 2009-01 amended the Codification to include the guidance of SFAS 168 in its entirety.

In August 2009, the FASB issued Accounting Standards Update 2009-5 “Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value (“ASU 2009-5.”) The objective of ASU 2009-5 is to provide clarification for the determination of fair value of liabilities in circumstances in which a quoted price in an active market for the identical liability is not available. The amendments in this update apply to all entities that measure liabilities at fair value within the scope of Topic 820. ASU 2009-5 is effective for the first reporting period (including interim periods) beginning after issuance, which for Libbey would be the fourth quarter of 2009. We do not expect the adoption of ASU 2009-5 to have a material impact on our consolidated financial statements.

Reclassifications

Certain amounts in the prior year’s financial statements may have been reclassified to conform to the presentation used in the current year financial statements.

3. Balance Sheet Details

The following table provides detail of selected balance sheet items:

(Dollars in thousands)	September 30, 2009	December 31, 2008
Accounts receivable:		
Trade receivables	$ 90,570	$ 74,393
Other receivables	549	1,679
Total accounts receivable, less allowances of $7,362 and $10,479	$ 91,119	$ 76,072
Inventories:		
Finished goods	$135,594	$163,817
Work in process	1,403	2,805
Raw materials	4,745	5,748
Repair parts	9,942	10,271
Operating supplies	1,839	2,601
Total inventories, less allowances of $4,358 and $6,582	$153,523	$185,242
Prepaid and other current assets:		
Prepaid expenses	$ 11,796	$ 14,865
Refundable and prepaid income taxes	2,320	2,302
Total prepaid and other current assets	$ 14,116	$ 17,167
Other assets:		
Finance fees — net of amortization	$ 7,251	$ 8,183
Other	4,782	4,531
Total other assets	$ 12,033	$ 12,714
Accrued liabilities:		
Accrued incentives	$ 21,678	$ 12,760
Workers compensation	9,900	9,384
Medical liabilities	2,730	2,736
Interest	17,311	4,575
Commissions payable	1,209	1,135
Other	7,205	9,085
Total accrued liabilities	$ 60,033	$ 39,675
Other long-term liabilities:		
Derivative liability (long term portion)	$ 1,840	$ 3,693
Deferred liability	1,306	1,566
Other	5,153	6,952
Total other long-term liabilities	$ 8,299	$ 12,211

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4. Borrowings

On June 16, 2006, Libbey Glass Inc. issued $306.0 million aggregate principal amount of floating rate senior secured notes (Senior Notes) due June 1, 2011, and $102.0 million aggregate principal amount of senior subordinated secured pay-in-kind notes (PIK Notes) due December 1, 2011. Concurrently, Libbey Glass Inc. entered into a $150.0 million Asset Based Loan facility (ABL Facility) expiring December 16, 2010.

On October 28, 2009, we announced a debt exchange with respect to the PIK Notes. Please see note 14 for a further discussion of this subsequent event.

Borrowings consist of the following:

(Dollars in thousands)	Interest Rate	Maturity Date	September 30, 2009	December 31, 2008
Borrowings under ABL facility	floating	December 16, 2010	$ —	$ 34,538
Senior notes	floating(1)	June 1, 2011	306,000	306,000
PIK notes (2)	16.00%	December 1, 2011	160,862	148,946
Promissory note	6.00%	October, 2009 to September, 2016	1,537	1,666
Notes payable	floating	October, 2009	1,517	3,284
RMB loan contract	floating	July, 2012 to January, 2014	36,675	36,675
RMB working capital loan	floating	March, 2010	7,335	7,335
Obligations under capital leases	floating	May, 2009	—	302
BES Euro line	floating	December, 2009 to December, 2013	16,051	15,507
Other debt	floating	September, 2009	—	630
Total borrowings			529,977	554,883
Less — unamortized discounts and warrants			3,278	4,626
Total borrowings — net			526,699	550,257
Less — long term debt due within one year and notes payable			10,669	4,401
Total long-term portion of borrowings — net			$516,030	$545,856

(1) See Interest Rate Protection Agreements below.

(2) Additional PIK Notes were issued each June 1 and December 1, commencing on December 1, 2006, to pay semi-annual interest. During the first three years, interest was payable by the issuance of additional PIK Notes.

ABL Facility

The ABL Facility is with a group of six banks and provides for a revolving credit and swing line facility permitting borrowings for Libbey Glass and Libbey Europe up to an aggregate of $150.0 million, with Libbey Europe’s borrowings being limited to $75.0 million. Borrowings under the ABL Facility mature December 16, 2010. Swing line borrowings are limited to $15.0 million, with swing line borrowings for Libbey Europe being limited to € 7.5 million. Loans comprising each CBFR (CB Floating Rate) Borrowing, including each Swingline Loan, bear interest at the CB Floating Rate plus the Applicable Rate, and euro-denominated swing line borrowings (Eurocurrency Loans) bear interest calculated at the Netherlands swing line rate, as defined in the ABL Facility. The Applicable Rates for CBFR Loans and Eurocurrency Loans vary depending on our aggregate remaining availability. The Applicable Rates for CBFR Loans and Eurocurrency Loans were 0.0 percent and 1.75 percent, respectively, at September 30, 2009. There were no Libbey Glass or Libbey Europe borrowings under the facility at September 30, 2009. Interest is payable on the last day of the interest period, which can range from one month to six months.

All borrowings under the ABL Facility are secured by a first priority security interest in (i) substantially all assets of (a) Libbey Glass and (b) substantially all of Libbey Glass’s present and future direct and indirect domestic subsidiaries, (ii) (a) 100 percent of the stock of Libbey Glass, (b) 100 percent of the stock of substantially all of Libbey Glass’s present and future direct and indirect domestic subsidiaries, (c) 100 percent of the non-voting stock of substantially all of Libbey Glass’s first-tier present and future foreign subsidiaries and (d) 65 percent of the voting stock of substantially all of Libbey Glass’s first-tier present and future foreign subsidiaries, and (iii) substantially all proceeds and products of the property and assets described in clauses (i) and (ii) of this sentence.

Additionally, borrowings by Libbey Europe under the ABL Facility are secured by a first priority security interest in (i) substantially all of the assets of Libbey Europe, the parent of Libbey Europe and certain of its subsidiaries, (ii) 100 percent of the stock of Libbey Europe and certain subsidiaries of Libbey Europe, and (iii) substantially all proceeds and products of the property and assets described in clauses (i) and (ii) of this sentence.

Libbey pays a quarterly Commitment Fee, as defined by the ABL Facility, on the total credit provided under the Facility. The Commitment Fee varies depending on our aggregate availability. The Commitment Fee was 0.25 percent at September 30, 2009. No compensating balances are required by the Agreement. The Agreement does not require compliance with a fixed charge coverage ratio covenant, unless aggregate unused availability falls below $15.0 million. If our aggregate unused ABL availability were to fall below $15.0 million, the fixed charge coverage ratio requirement would be 1:10 to 1:00. The fixed charge coverage ratio is defined as the ratio of earnings before interest, taxes, depreciation, amortization and minority interest (EBITDA) minus capital expenditures to fixed charges (EBITDA minus capital expenditures / fixed charges). Among the items included in the calculation of fixed charges are cash interest expense, scheduled principal payments on outstanding debt and capital lease obligations, taxes paid in cash, dividends paid in cash and required cash contributions to our pension plans in excess of expense.

The borrowing base under the ABL Facility is determined by a monthly analysis of the eligible accounts receivable, inventory and fixed assets. The borrowing base is the sum of (a) 85 percent of eligible accounts receivable, (b) the lesser of (i) 85 percent of the net orderly liquidation value (NOLV) of eligible inventory, (ii) 65 percent of eligible inventory, or (iii) $75.0 million, and (c) the lesser of $25.0 million and the aggregate of (i) 75 percent of the NOLV of eligible equipment and (ii) 50 percent of the fair market value of eligible real property.

The available total borrowing base is offset by real estate and ERISA reserves totaling $8.2 million and mark-to-market reserves for natural gas and interest rate swaps of $9.1 million. The ABL Facility also provides for the issuance of up to $30.0 million of letters of credit, which are applied against the $150.0 million limit. At September 30, 2009, we had $9.9 million in letters of credit outstanding under the ABL Facility. Remaining unused availability on the ABL Facility was $81.3 million at September 30, 2009 and $44.6 million at December 31, 2008.

Senior Notes

Libbey Glass and Libbey Inc. entered into a purchase agreement pursuant to which Libbey Glass agreed to sell $306.0 million aggregate principal amount of floating rate senior secured notes due June 1, 2011 to the initial purchasers named in a private placement. The net proceeds of these notes, after deducting a discount and the estimated expenses and fees, were approximately $289.8 million. On February 15, 2007, we exchanged $306.0 million aggregate principal amount of our floating rate senior secured notes due June 1, 2011, which have been registered under the Securities Act of 1933, as amended (Senior Notes), for the notes sold in the private placement. The Senior Notes bear interest at a rate equal to six-month LIBOR plus 7.0 percent and were offered at a discount of 2 percent of face value. Interest with respect to the Senior Notes is payable semiannually on June 1 and December 1. The interest rate was 8.26 percent at September 30, 2009. Neither the Senior Notes nor the indenture governing them contain financial covenants.

We have Interest Rate Protection Agreements (Rate Agreements) with respect to $200.0 million of debt as a means to manage our exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of our long-term borrowings from variable rate debt to fixed-rate debt, thus reducing the impact of interest rate changes on future income. The fixed interest rate for our borrowings related to the Rate Agreements at September 30, 2009, excluding applicable fees, is 5.24 percent per year and the total interest rate, including applicable fees, is 12.24 percent per year. These Rate Agreements expire on December 1, 2009. Total remaining Senior Notes not covered by the Rate Agreements have fluctuating interest rates with a weighted average rate of 8.26 percent per year at September 30, 2009. If the counterparties to these Rate Agreements were to fail to perform, these Rate Agreements would no longer protect us from interest rate fluctuations. However, we do not anticipate nonperformance by the counterparties. All interest rate swap counterparties were rated A+ or better, as of September 30, 2009, by Standard and Poor’s.

The fair market value for the Rate Agreements at September 30, 2009 was a $4.0 million liability. The fair values of the Rate Agreements are based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. We do not expect to cancel these agreements and expect them to expire as originally contracted.

The Senior Notes are guaranteed by Libbey Inc. and all of Libbey Glass's existing and future domestic subsidiaries that guarantee any of Libbey Glass's debt or debt of any subsidiary guarantor (see Note 11). The Senior Notes and related guarantees have the benefit of a second-priority lien, subject to permitted liens, on collateral consisting of substantially all the tangible and intangible assets of Libbey Glass and its domestic subsidiary guarantors that secure all of the indebtedness under Libbey Glass's ABL Facility. The Collateral does not include the assets of non-guarantor subsidiaries that secure the ABL Facility.

PIK Notes

Concurrently with the execution of the purchase agreement with respect to the Senior Notes, Libbey Glass and Libbey Inc. entered into a purchase agreement (Unit Purchase Agreement) pursuant to which Libbey Glass agreed to sell, to a purchaser named in the private placement, units consisting of $102.0 million aggregate principal amount 16 percent senior subordinated secured pay-in-kind notes due December 1, 2011 (PIK Notes) and detachable warrants to purchase 485,309 shares of Libbey Inc. common stock (Warrants) exercisable on or after June 16, 2006 and expiring on December 1, 2011. The warrant holders do not have voting rights. The net proceeds, after deducting a discount and estimated expenses and fees, were approximately $97.0 million. The proceeds were allocated between the Warrants and the underlying debt based on their respective fair values at the time of issuance. The amount allocated to the Warrants has been recorded in equity, with the offset recorded as a discount on the underlying debt. Each Warrant is exercisable at $11.25. The PIK Notes were offered at a discount of 2 percent of face value. Interest is payable semiannually on June 1 and December 1, but during the first three years interest was payable by issuance of additional PIK Notes. Under the terms and conditions in place at September 30, 2009, interest on our PIK Notes would have been payable in cash beginning December 1, 2009. At September 30, 2009, the total principal amount of PIK Notes was $160.9 million. Neither the PIK Notes nor the indenture governing them contain financial covenants.

The obligations of Libbey Glass under the PIK Notes are guaranteed by Libbey Inc. and all of Libbey Glass's existing and future domestic subsidiaries that guarantee any of Libbey Glass's debt or debt of any subsidiary guarantor (see Note 11). The PIK Notes and related guarantees are senior subordinated obligations of Libbey Glass and the guarantors of the PIK Notes and are entitled to the benefit of a third-priority lien, subject to permitted liens, on the collateral that secures the Senior Notes.

On October 28, 2009, we announced a debt exchange with respect to the PIK Notes. Please see note 14 for a further discussion of this subsequent event.

Promissory Note

In September 2001, we issued a $2.7 million promissory note in connection with the purchase of our Laredo, Texas warehouse facility. At September 30, 2009, we had $1.5 million outstanding on the promissory note. Interest with respect to the promissory note is paid monthly.

Notes Payable

We have overdraft lines of credit for a maximum of € 1.1 million. The $1.5 million outstanding at September 30, 2009 was the U.S. dollar equivalent under the euro-based overdraft line, and the interest rate was 5.44 percent. Interest with respect to the note payable is paid monthly.

RMB Loan Contract

On January 23, 2006, Libbey Glassware (China) Co., Ltd. (Libbey China), an indirect wholly owned subsidiary of Libbey Inc., entered into an RMB Loan Contract (RMB Loan Contract) with China Construction Bank Corporation Langfang Economic Development Area Sub-Branch (CCB). Pursuant to the RMB Loan Contract, CCB agreed to lend to Libbey China RMB 250.0 million, or the current equivalent of approximately $36.7 million, for the construction of our production facility in China and the purchase of related equipment, materials and services. The loan has a term of eight years and bears interest at a variable rate as announced by the People's Bank of China. As of the date of the initial advance under the Loan Contract, the annual interest rate was 5.51 percent, and as of September 30, 2009, the annual interest rate was 5.51 percent. As of September 30, 2009, the outstanding balance was RMB 250.0 million (approximately $36.7 million). Interest is payable quarterly. Payments of principal in the amount of RMB 30.0 million (approximately $4.4 million) and RMB 40.0 million (approximately $5.9 million) must be made on July 20, 2012, and December 20, 2012, respectively, and three payments of principal in the amount of RMB 60.0 million (approximately $8.8 million) each must be made on July 20, 2013, December 20, 2013, and January 20, 2014, respectively. The obligations of Libbey China are secured by a guarantee executed by Libbey Inc. for the benefit of CCB and a mortgage lien on the Libbey China facility.

RMB Working Capital Loan

In March 2007, Libbey China entered into a RMB 50.0 million working capital loan with China Construction Bank. The 3-year term loan has a principal payment at maturity on March 14, 2010, has a current interest rate of 5.40 percent, and is secured by a Libbey Inc. guarantee. At September 30, 2009, the U.S. dollar equivalent on the line was $7.3 million. Interest is payable quarterly.

BES Euro Line

In January 2007, Crisal entered into a seven year, € 11.0 million line of credit (approximately $16.1 million) with BANCO ESPÍRITO SANTO, S.A. (BES). The $16.1 million outstanding at September 30, 2009 was the U.S. dollar equivalent under the line at an interest rate of 3.77 percent. Payment of principal in the amount of € 1.1 million (approximately $1.6 million) is due in December 2009, payment of € 1.6 million (approximately $2.3 million) is due in December 2010, payment of € 2.2 million (approximately $3.2 million) is due in December 2011, payment of € 2.8 million (approximately $4.1 million) is due in December 2012 and payment of € 3.3 million (approximately $4.9 million) is due in December 2013. Interest with respect to the line is paid every six months.

Other Debt

The other debt primarily consisted of government-subsidized loans for equipment purchases at Crisal. At September 30, 2009, other debt was $0.

Fair Value of Borrowings

The fair value of the Company's debt has been calculated based on quoted market prices for the same or similar issues. Our floating rate $306.0 million Senior Notes due June, 2011 had an estimated fair value of $273.9 million at September 30, 2009. The $160.9 million PIK Notes have been held by a single holder since inception, and there is no active market from which a fair value could be derived. On October 28, 2009, we announced a debt exchange with respect to the PIK Notes. Please see note 14 for a further discussion of this subsequent event. The value of the remainder of our debt approximates carrying value at September 30, 2009.

Capital Resources and Liquidity

Historically, cash flows generated from operations and our borrowing capacity under our ABL facility have allowed us to meet our cash requirements, including capital expenditures and working capital needs. Remaining unused availability on the ABL Facility was $81.3 million at September 30, 2009 and $44.6 million at December 31, 2008. In addition, our cash and cash equivalents balance of $30.6 million at September 30, 2009 is available for our short-term operating needs. We were impacted by recessionary pressures in 2008, especially during the fourth quarter of the year, and the first nine months of 2009, and we anticipate that the global economic recession will continue for the fourth quarter of 2009 and perhaps beyond. Under the terms and conditions in place at September 30, 2009, interest on our PIK Notes would have been payable in cash beginning December 1, 2009. We began taking a number of steps to enhance our liquidity in 2008, have continued with further steps in 2009 (including those announced in February, 2009), and have begun to see the benefits of these measures in our positive cash flow from operations for the first nine months of 2009. Additionally, as further discussed in Note 14, "Subsequent Events," on October 28, 2009, we announced that we had entered into a transaction to exchange the PIK Notes for a combination of debt and equity which will have the impact of reducing cash paid for interest. The original requirement for a cash interest payment of $12.9 million on December 1, 2009 has been canceled. However, if cash generated from operations is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or arrange additional debt financing. Global financial markets and economic conditions have been, and continue to be, volatile. The credit and capital markets remain challenging. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made it difficult, and will likely continue to make it difficult, to obtain funding in future periods. If cash generated from operations and cash available from our ABL Facility are not sufficient to meet our needs, we cannot provide assurance that we will be able to obtain additional financing in sufficient amounts and/or on acceptable terms in the near future or when our debt obligations reach maturity. Our ABL Facility expires in December 2010, the Senior Notes expire in June 2011, and the PIK Notes originally were scheduled to expire in December 2011. As mentioned above, please see note 14 for a discussion of a debt exchange which occurred subsequent to the end of the third quarter. Based upon our operating plans and current forecast expectations (including expectations that the global economy will not deteriorate further) and in light of our debt exchange which occurred subsequent to the quarter's end, we anticipate that we will generate positive cash flow from operations and, if necessary, have sufficient cash availability from our ABL Facility to meet our ongoing liquidity needs.

5. Restructuring Charges

In December 2008, we announced that our Syracuse China manufacturing facility and our Mira Loma, California distribution center would be shut down in early to mid-2009 in order to reduce costs. See Form 10-K for the year ended December 31, 2008 for further discussion. We incurred additional charges of approximately $0.5 million and $3.2 million in the three months and nine months ended September 30, 2009, respectively, related to these planned closures. The Syracuse China facility was closed on April 9, 2009 and the Mira Loma distribution center was closed on May 31, 2009.

A charge of $1.1 million was incurred in the first quarter of 2009 to write down certain raw materials and work in process inventory that could not be converted to finished product. Approximately $0.1 million of this inventory was subsequently sold in the third quarter of 2009, resulting in a reversal of this portion of the write-down. A pension settlement charge of approximately $0.2 million was recorded in the third quarter related to lump sum distributions which resulted from the plant closing. These amounts were included in cost of sales on the Condensed Consolidated Statement of Operations in the North American Other segment.

Additional depreciation expense of $0.7 million was recorded in the first quarter of 2009 to reflect the shorter remaining useful life of the assets. These amounts were included in cost of sales on the Condensed Consolidated Statement of Operations in the North American Other segment.

Special charges of $1.0 million and $1.6 million in the three months and nine months ended September 30, 2009, respectively, included various legal, consulting and employee related costs. In addition, during the three months ended September 30, 2009, we recorded a charge of $0.1 million to write down certain fixed assets at our Mira Loma facility, and received cash proceeds of $0.8 million for the sale of certain fixed assets which previously had been written off at our Syracuse China facility. This resulted in a net charge of $0.6 million related to the write-down of fixed assets for the nine months ended September 30, 2009. These amounts were included in special charges on the Condensed Consolidated Statement of Operations in the North American Other and North American Glass segments.

Other income (expense) on the Condensed Consolidated Statement of Operations included expenses of an immaterial amount in the third quarter and $0.2 million in the nine months ended September 30, 2009 for the change in fair value of ineffective natural gas hedges related to our Syracuse China operation. These amounts were included in the North American Other segment.

The following table summarizes the facility closure charges in the third quarter and first nine months of 2009:

	Three months ended September 30, 2009			Nine months ended September 30, 2009		
(Dollars in thousands)	**North American Glass**	**North American Other**	**Total**	**North American Glass**	**North American Other**	**Total**
Inventory write-down	$ (1)	$ (76)	$ (77)	$ —	$ 1,039	$ 1,039
Pension Settlement charges	—	239	239	—	239	239
Fixed asset depreciation	—	—	—	—	705	705
Included in cost of sales	(1)	163	162	—	1,983	1,983
Employee termination cost & other	(4)	954	950	(31)	1,612	1,581
Fixed asset write-down	112	(762)	(650)	112	(719)	(607)
Included in special charges	108	192	300	81	893	974
Ineffectiveness of natural gas hedge	—	(27)	(27)	—	(213)	(213)
Included in other income (expense)	—	(27)	(27)	—	(213)	(213)
Total pretax expense	$ 107	$ 382	$ 489	$ 81	$ 3,089	$ 3,170

The following reflects the balance sheet activity related to the facility closure charge for the nine months ended September 30, 2009:

(Dollars in thousands)	Reserve Balances at December 31, 2008	Total Charge to Earnings	Cash Receipts (Payments)	Inventory & Fixed asset Write Downs	Non-cash Utilization	Reserve Balances at September 30, 2009
Inventory write-down	$ —	$ 1,039	$ 79	$ (1,118)	$ —	$ —
Pension Settlement charges	—	239	—	—	(239)	—
Fixed asset depreciation	—	705	—	—	(705)	—
Fixed asset write-down	—	(607)	761	(154)	—	—
Employee termination cost & other	4,248	1,581	(4,921)	—	—	908
Ineffectiveness of natural gas hedges	—	213	—	—	(213)	—
Total	$ 4,248	$ 3,170	$ (4,081)	$ (1,272)	$ (1,157)	$ 908

The ending balance of $0.9 million at September 30, 2009 was included in accrued special charges on the Condensed Consolidated Balance Sheets and we expect this to result in cash payments in 2009 and early 2010. The carrying value of this balance approximates its fair value.

The following reflects the total cumulative expenses to date (incurred from the fourth quarter of 2008 through the Balance Sheet date) related to the facility closure activity:

(Dollars in thousands)	North American Glass	North American Other	Total Charges To Date
Inventory write-down	$ 192	$ 10,615	$ 10,807
Pension & postretirement welfare	—	4,409	4,409
Fixed asset depreciation	—	966	966
Included in cost of sales	192	15,990	16,182
Employee termination cost & other	587	5,814	6,401
Fixed asset write-down	177	8,941	9,118
Included in special charges	764	14,755	15,519
Ineffectiveness of natural gas hedge	—	(596)	(596)
Included in other (expense) income	—	(596)	(596)
Total pretax expenses to date	$ 956	$ 31,341	$ 32,297

We expect the total expenses for each of these activities to approximate the expenses incurred to date.

6. Income Taxes

The Company’s effective tax rate differs from the United States statutory tax rate primarily due to changes in the mix of earnings in countries with differing statutory tax rates, changes in accruals related to uncertain tax positions, tax planning structures and changes in tax laws. At September 30, 2009 and December 31, 2008 we had $1.2 million and $2.3 million, respectively, of gross unrecognized tax benefits, exclusive of interest and penalties. The decrease of $1.1 million was primarily attributable to an income tax settlement during the second quarter, offset by additions based on tax positions related to the current year.

In addition, guidance in FASB ASC 740, *Income Taxes* (previously SFAS No. 109, *Accounting for Income Taxes*) requires that the provision for (benefit from) income taxes be allocated between continuing operations and other categories of earnings (such as discontinued operations or other comprehensive income) for each tax jurisdiction. In periods in which there is a year-to-date pre-tax loss from continuing operations and pre-tax income in other categories of earnings, the tax provision is first allocated to the other categories of earnings. A related tax benefit is then recorded in continuing operations. Included in our income tax provision are tax benefits of $1.4 million for the third quarter of 2009 and $5.3 million for the first nine months of 2009 related to these intra-period allocations. Depending upon the level of our future earnings and losses and their impact on other comprehensive income, it is possible that these tax adjustments may change or even reverse in future periods.

Further, our current and future provision for (benefit from) income taxes for 2009 is significantly impacted by valuation allowances. In the United States and China, we have recorded a full valuation allowance against our deferred income tax assets. In addition, partial valuation allowances have been recorded in the Netherlands, Portugal and Mexico. In assessing the need for recording a valuation allowance we weigh all available positive and negative evidence. Examples of the evidence we consider are cumulative losses in recent years, losses expected in early future years, a history of potential tax benefits expiring unused, whether there was an unusual, infrequent, or extraordinary item to be considered. We intend to maintain these allowances until it is more likely than not that the deferred income tax assets will be realized.

7. Pension and Non-pension Postretirement Benefits

We have pension plans covering the majority of our employees. Benefits generally are based on compensation for salaried employees and job grade and length of service for hourly employees. Our policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. In addition, we have an unfunded supplemental employee retirement plan (SERP) that covers salaried U.S.-based employees of Libbey hired before January 1, 2006. The U.S. pension plans cover the salaried U.S.-based employees of Libbey hired before January 1, 2006 and most hourly U.S.-based employees. The non-U.S. pension plans cover the employees of our wholly owned subsidiaries Royal Leerdam and Crisa. The Crisa plan is not funded.

The components of our net pension expense, including the SERP, are as follows:

	U.S. Plans		Non-U.S. Plans		Total	
Three months ended September 30,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	$ 1,271	$ 1,348	$ 339	$ 438	$ 1,610	$ 1,786
Interest cost	3,878	3,908	1,037	1,182	4,915	5,090
Expected return on plan assets	(4,383)	(4,393)	(632)	(813)	(5,015)	(5,206)
Amortization of unrecognized:						
Prior service cost (gain)	560	597	(23)	(18)	537	579
Loss	227	330	93	73	320	403
Settlement charge	687	—	—	—	687	—
Pension expense	$ 2,240	$ 1,790	$ 814	$ 862	$ 3,054	$ 2,652

	U.S. Plans		Non-U.S. Plans		Total	
Nine months ended September 30,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	$ 3,761	$ 4,044	$ 1,015	$ 1,314	$ 4,776	$ 5,358
Interest cost	11,774	11,723	3,111	3,547	14,885	15,270
Expected return on plan assets	(13,184)	(13,180)	(1,897)	(2,441)	(15,081)	(15,621)
Amortization of unrecognized:						
Prior service cost (gain)	1,681	1,792	(70)	(53)	1,611	1,739
Loss	662	989	281	220	943	1,209
Settlement charge	3,387	—	—	—	3,387	—
Pension expense	$ 8,081	$ 5,368	$ 2,440	$ 2,587	$ 10,521	$ 7,955

We incurred pension settlement charges of $0.7 million and $3.4 million during the three months and nine months ended September 30, 2009, respectively. The pension settlement charges were triggered by excess lump sum distributions to retirees.

We provide certain retiree health care and life insurance benefits covering our U.S and Canadian salaried and non-union hourly employees hired before January 1, 2004 and a majority of our union hourly employees. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Benefits for most hourly retirees are determined by collective bargaining. The U.S. non-pension postretirement plans cover the hourly and salaried U.S.-based employees of Libbey. During the second quarter of 2008, we amended our U.S. non-pension postretirement plans to cover employees and retirees of Syracuse China previously covered under a multi-employer plan. This plan amendment was effective September 1, 2008. The non-U.S. non-pension postretirement plans cover the retirees and active employees of Libbey who are located in Canada. The postretirement benefit plans are not funded.

The provision for our non-pension postretirement benefit expense consists of the following:

	U.S. Plans		Non-U.S. Plans		Total	
Three months ended September 30,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	$ 333	$ 274	$—	$—	$ 333	$ 274
Interest cost	946	788	29	32	975	820
Amortization of unrecognized:						
Prior service gain	(104)	115	—	—	(104)	115
Loss / (Gain)	191	60	(9)	(8)	182	52
Curtailment credit	(94)	—	—	—	(94)	—
Non-pension postretirement benefit expense	$1,272	$1,237	$20	$24	$1,292	$1,261

	U.S. Plans		Non-U.S. Plans		Total	
Nine months ended September 30,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Service cost	$ 999	$ 824	$ 1	$ 1	$1,000	$ 825
Interest cost	2,838	2,215	84	96	2,922	2,311
Amortization of unrecognized:						
Prior service cost (gain)	(313)	(116)	—	—	(313)	(116)
Loss / (Gain)	573	179	(26)	(24)	547	155
Curtailment credit	(94)	—	—	—	(94)	—
Non-pension postretirement benefit expense	$4,003	$3,102	$ 59	$ 73	$4,062	$3,175

In 2009, we expect to utilize approximately $18.0 million to fund our pension plans and pay for non-pension postretirement benefits. Of that amount, $3.6 million and $11.7 million was utilized in the three months and nine months ended September 30, 2009.

8. Net Income (Loss) per Share of Common Stock

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Numerator for earnings per share — net income (loss) that is available to common shareholders	$ 3,533	$ (5,958)	$ (21,696)	$ (11,554)
Denominator for basic earnings per share — weighted average shares outstanding	15,152,337	14,729,958	14,926,422	14,651,810
Effect of dilutive securities (1)	435,212	—	—	—
Denominator for diluted earnings per share — adjusted weighted average shares and assumed conversions	15,587,549	14,729,958	14,926,422	14,651,810
Basic earnings (loss) per share	$ 0.23	$ (0.40)	$ (1.45)	$ (0.79)
Diluted earnings (loss) per share	$ 0.23	$ (0.40)	$ (1.45)	$ (0.79)

(1) *The effect of employee stock options, warrants, restricted stock units and the employee stock purchase plan (ESPP) (236,265 shares for the nine months ended September 30, 2009, and 107,984 and 331,671 shares for the three months and nine months*

ended September 30, 2008, respectively), was *anti-dilutive and thus not included in the earnings per share calculation. These amounts would have been dilutive if not for the net loss.*

When applicable, diluted shares outstanding include the dilutive impact of in-the-money employee stock options, which are calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the tax-effected proceeds that hypothetically would be received from the exercise of all in-the-money options are assumed to be used to repurchase shares.

9. Derivatives

We utilize derivative financial instruments to hedge certain interest rate risks associated with our long-term debt, commodity price risks associated with forecasted future natural gas requirements, and foreign exchange rate risks associated with transactions denominated in a currency other than the U.S. dollar. Most of these derivatives, except for certain natural gas contracts originally designated to expected purchases at Syracuse China and the foreign currency contracts, qualify for hedge accounting since the hedges are highly effective, and we have designated and documented contemporaneously the hedging relationships involving these derivative instruments. Changes in the effective portion of the fair value of these hedges are recorded in Other Comprehensive Income (OCI). While we intend to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if we do not believe that the forecasted transactions will occur, the changes in the fair value of the derivatives used as hedges will be reflected in our earnings. All of these contracts were accounted for under FASB ASC 815 “Derivatives and Hedging” (formerly FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities”).

We use Interest Rate Protection Agreements (Rate Agreements) to manage our exposure to variable interest rates. These Rate Agreements effectively convert a portion of our borrowings from variable rate debt to fixed-rate debt, thus reducing the impact of interest rate changes on future results. These instruments are valued using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves.

We also use commodity futures contracts related to forecasted future North American natural gas requirements. The objective of these futures contracts and other derivatives is to limit the fluctuations in prices paid due to adverse price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements, up to eighteen months in the future. The fair values of these instruments are determined from market quotes. Certain of our natural gas futures contracts are now classified as ineffective, as the forecasted transactions are not probable of occurring due to the closure of our Syracuse China facility in April 2009.

Our foreign currency exposure arises from transactions denominated in a currency other than the U.S. dollar, primarily associated with anticipated purchases of new equipment or net investment in a foreign operation. The fair values of these instruments are determined from market quotes. The values of these derivatives will change over time as cash receipts and payments are made and as market conditions change.

Notional Amounts

As of September 30, 2009, we had commodity contracts for 3,220,000 million British Thermal Units (BTUs) of natural gas. We also had Interest Rate Protection Agreements for $200.0 million of our variable rate debt, as discussed in Note 4. At December 31, 2008, we had Interest Rate Protection Agreements for $200.0 million of variable rate debt and commodity contracts for 5,280,000 million BTUs of natural gas. In January 2008, we entered into a series of foreign currency contracts to sell Canadian dollars. As of September 30, 2008, we had contracts for 2.5 million Canadian dollars. During April 2007, we entered into a foreign currency contract for 212.0 million pesos for a contractual payment due to Vitro in January 2008. As of December 31, 2008, all of these currency contracts had expired.

Fair Values

The following table provides the fair values of our derivative financial instruments for the periods presented:

	Liability Derivatives:			
	September 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133:				
Interest rate contracts	Derivative liability	$ 4,029	Derivative liability	$ 6,761
Natural gas contracts	Derivative liability	6,354	Derivative liability	10,908
Natural gas contracts	Other long term liability	1,778	Other long term liability	3,500
Total designated		12,161		21,169
Derivatives undesignated as hedging instruments under SFAS 133:				
Natural gas contracts	Derivative liability	337	Derivative liability	267
Natural gas contracts	Other long term liability	62	Other long term liability	193
Total undesignated		399		460
Total		$ 12,560		$ 21,629

Change in value of derivatives

Most of our derivatives qualify and are designated as cash flow hedges (except certain natural gas contracts originally designated to expected purchases at Syracuse China) at September 30, 2009. Hedge accounting is applied only when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses would be recorded to earnings immediately. The ineffective portion of the change in the fair value of a derivative designated as a cash flow hedge is recognized in current earnings.

	Amount of derivative gain/(loss) recognized in OCI (effective portion)			
	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Derivatives in Cash Flow Hedging relationships:				
Interest rate contracts	$ 2,023	$ 114	$ 4,952	$ (60)
Natural gas contracts	285	(12,476)	(6,476)	(4,490)
Total	$ 2,308	$ (12,362)	$ (1,524)	$ (4,550)

		Gain / (loss) reclassified from Accumulated Other Comprehensive Income (loss) to income (effective portion)			
		Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Derivative:	Location:				
Interest rate contracts	Interest expense	$ 2,021	$ 1,183	$ 4,924	$ 2,134
Natural gas contracts	Cost of sales	(4,006)	2,401	(12,750)	2,854
Total impact on net income (loss)		$ (1,985)	$ 3,584	$ (7,826)	$ 4,988

Certain of our natural gas futures contracts are now classified as ineffective, as the forecasted transactions are not probable of occurring due to the closure of our Syracuse China facility in April 2009 as well as decreased production at some of our plants. As a result, we recorded an immaterial expense in the three months ended September 30, 2009 and expense of $0.1 million in the nine months ended September 30, 2009. Expenses reclassified from Accumulated Other Comprehensive Income to earnings as a result of contracts becoming ineffective during the three and nine months ended September 30, 2009 were immaterial.

The following table provides the impact on the Condensed Consolidated Statement of Operations from derivatives no longer designated as cash flow hedges:

		Gain (loss) recognized in income (ineffective portion)			
		Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Derivative:	Location:				
Natural gas contracts	Other (expense) income	$ (27)	$ —	$ (136)	$ —
Total		$ (27)	$ —	$ (136)	$ —

As the natural gas contracts mature, the accumulated gains (losses) for the respective contracts are reclassified from accumulated other comprehensive income to current expense in cost of sales in our Condensed Consolidated Statement of Operations. Similarly, as fixed interest payments are made pursuant to the interest rate protection agreements, they are recorded together with the related receipt of variable interest receipts, the payment of contractual interest expense to the banks and the reclassification of accumulated gains (losses) from accumulated other comprehensive income related to the interest rate agreements. We paid additional cash interest of $2.7 million and $0.3 million in the nine months ended September 30, 2009 and 2008, respectively, due to the difference between the contractual fixed interest rates in our interest rate protection agreements and the variable interest rates associated with our long-term debt. Based on our current valuation, we estimate that accumulated losses currently carried in accumulated other comprehensive income that will be reclassified into earnings over the next twelve months will result in $10.7 million of expense in our Condensed Consolidated Statement of Operations.

Gains and losses for derivatives that were not designated as hedging instruments are recorded in current earnings as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Derivative:	Location:				
Currency contracts	Other (expense) income	$ —	$ 65	$ —	$ (218)
Total		$ —	$ 65	$ —	$ (218)

We do not believe we are exposed to more than a nominal amount of credit risk in our interest rate and natural gas hedges, as the counterparties are established financial institutions. The counterparties are rated A+ or better for the Interest Rate Protection Agreements and BBB+ or better for the other derivative agreements as of September 30, 2009, by Standard and Poor’s.

10. Comprehensive Income (Loss)

Components of comprehensive income (loss) (net of tax) are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net income (loss)	$ 3,533	$ (5,958)	$(21,696)	$(11,554)
Change in pension and nonpension postretirement liability (1)	1,090	2,403	5,571	(728)
Change in fair value of derivatives (2)	4,687	(11,311)	7,329	(6,368)
Exchange rate fluctuations	2,608	(7,999)	2,438	(1,067)
Total comprehensive income (loss)	$11,918	$(22,865)	$ (6,358)	$(19,717)

(1) Net of the following tax amounts for the respective periods	$ 378	$ (1,639)	$ (5,938)	$ (78)
(2) Net of the following tax amounts for the respective periods	$ (1,626)	$ 3,453	$ (3,897)	$ 1,037

Accumulated other comprehensive loss (net of tax) is as follows:

	September 30, 2009	December 31, 2008
Minimum pension liability and intangible pension asset	$ (97,836)	$ (103,407)
Derivatives	(9,281)	(16,610)
Exchange rate fluctuations	6,669	4,231
Balance at end of period	$ (100,448)	$ (115,786)

11. Condensed Consolidated Guarantor Financial Statements

Libbey Glass is a direct, 100 percent owned subsidiary of Libbey Inc. and the issuer of the Senior Notes and the PIK Notes. The obligations of Libbey Glass under the Senior Notes and the PIK Notes are fully and unconditionally and jointly and severally guaranteed by Libbey Inc. and by certain indirect, 100 percent owned domestic subsidiaries of Libbey Inc., as described below. All are related parties that are included in the Condensed Consolidated Financial Statements for the three month and nine months periods ended September 30, 2009 and September 30, 2008.

At September 30, 2009, December 31, 2008 and September 30, 2008, Libbey Inc.'s indirect, 100 percent owned domestic subsidiaries were Syracuse China Company, World Tableware Inc., LGA4 Corp., LGA3 Corp., The Drummond Glass Company, LGC Corp., Traex Company, Libbey.com LLC, LGFS Inc., LGAC LLC and Crisa Industrial LLC (collectively, the "Subsidiary Guarantors"). The following tables contain Condensed Consolidating Financial Statements of (a) the parent, Libbey Inc., (b) the issuer, Libbey Glass, (c) the Subsidiary Guarantors, (d) the indirect subsidiaries of Libbey Inc. that are not Subsidiary Guarantors (collectively, "Non-Guarantor Subsidiaries"), (e) the consolidating elimination entries, and (f) the consolidated totals.

Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

Three months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$92,450	$20,462	$88,058	$(14,092)	$186,878
Freight billed to customers	—	181	204	34	—	419
Total revenues	—	92,631	20,666	88,092	(14,092)	187,297
Cost of sales	—	69,653	15,541	73,235	(14,092)	144,337
Gross profit	—	22,978	5,125	14,857	—	42,960
Selling, general and administrative expenses	—	14,223	2,018	8,570	—	24,811
Special charges	—	108	192	—	—	300
Income (loss) from operations	—	8,647	2,915	6,287	—	17,849
Other income (expense)	—	1,258	(10)	1,455	—	2,703
Earnings (loss) before interest and income taxes	—	9,905	2,905	7,742	—	20,552
Interest expense	—	15,782	1	1,668	—	17,451
Earnings (loss) before income taxes	—	(5,877)	2,904	6,074	—	3,101
Provision (benefit) for income taxes	—	(1,349)	(5)	922	—	(432)
Net income (loss)	—	(4,528)	2,909	5,152	—	3,533
Equity in net income (loss) of subsidiaries	3,533	8,061	—	—	(11,594)	—
Net income (loss)	$3,533	$ 3,533	$ 2,909	$ 5,152	$(11,594)	$ 3,533

The following represents the total special charges included in the above Condensed Consolidated Statement of Operations (see note 5):

Three months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cost of sales	$—	$ (1)	$163	$—	$—	$162
Special charges	—	108	192	—	—	300
Other income (expense)	—	—	(27)	—	—	(27)
Total pretax special charges	$—	$107	$382	$—	$—	$489
Special charges net of tax	$—	$107	$382	$—	$—	$489

Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

	Three months ended September 30, 2008					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$100,499	$28,339	$97,354	$(14,656)	$211,536
Freight billed to customers	—	230	336	98	—	664
Total revenues	—	100,729	28,675	97,452	(14,656)	212,200
Cost of sales	—	83,241	23,569	82,112	(14,656)	174,266
Gross profit	—	17,488	5,106	15,340	—	37,934
Selling, general and administrative expenses	—	10,670	2,998	9,709	—	23,377
Income (loss) from operations	—	6,818	2,108	5,631	—	14,557
Other income (expense)	—	(862)	(52)	(86)	—	(1,000)
Earnings (loss) before interest and income taxes	—	5,956	2,056	5,545	—	13,557
Interest expense	—	15,560	—	1,949	—	17,509
Earnings (loss) before income taxes	—	(9,604)	2,056	3,596	—	(3,952)
Provision (benefit) for income taxes	—	1,231	—	775	—	2,006
Net income (loss)	—	(10,835)	2,056	2,821	—	(5,958)
Equity in net income (loss) of subsidiaries	(5,958)	4,877	—	—	1,081	—
Net income (loss)	$(5,958)	$ (5,958)	$ 2,056	$ 2,821	$ 1,081	$ (5,958)

Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

Nine months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$277,396	$66,180	$228,874	$(31,893)	$540,557
Freight billed to customers	—	433	631	99	—	1,163
Total revenues	—	277,829	66,811	228,973	(31,893)	541,720
Cost of sales	—	224,217	54,260	207,177	(31,893)	453,761
Gross profit	—	53,612	12,551	21,796	—	87,959
Selling, general and administrative expenses	—	39,076	6,352	24,271	—	69,699
Special charges	—	81	893	—	—	974
Income (loss) from operations	—	14,455	5,306	(2,475)	—	17,286
Other income (expense)	—	3,452	(143)	2,115	—	5,424
Earnings (loss) before interest and income taxes	—	17,907	5,163	(360)	—	22,710
Interest expense	—	47,687	1	4,474	—	52,162
Earnings (loss) before income taxes	—	(29,780)	5,162	(4,834)	—	(29,452)
Provision (benefit) for income taxes	—	(7,059)	249	(946)	—	(7,756)
Net income (loss)	—	(22,721)	4,913	(3,888)	—	(21,696)
Equity in net income (loss) of subsidiaries	(21,696)	1,025	—	—	20,671	—
Net income (loss)	$(21,696)	$ (21,696)	$ 4,913	$ (3,888)	$ 20,671	$ (21,696)

The following represents the total special charges included in the above Condensed Consolidated Statement of Operations (see note 5):

Nine months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cost of sales	$—	$—	$1,983	$—	$—	$1,983
Special charges	—	81	893	—	—	974
Other income (expense)	—	—	(213)	—	—	(213)
Total pretax special charges	$—	$81	$3,089	$—	$—	$3,170
Special charges net of tax	$—	$81	$3,089	$—	$—	$3,170

Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

Nine months ended September 30, 2008	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$297,814	$85,042	$282,137	$(41,353)	$623,640
Freight billed to customers	—	597	947	403	—	1,947
Total revenues	—	298,411	85,989	282,540	(41,353)	625,587
Cost of sales	—	248,329	67,988	240,184	(41,353)	515,148
Gross profit	—	50,082	18,001	42,356	—	110,439
Selling, general and administrative expenses	—	33,979	8,706	25,002	—	67,687
Income (loss) from operations	—	16,103	9,295	17,354	—	42,752
Other income (expense)	—	(620)	(11)	970	—	339
Earnings (loss) before interest and income taxes	—	15,483	9,284	18,324	—	43,091
Interest expense	—	47,087	1	5,192	—	52,280
Earnings (loss) before income taxes	—	(31,604)	9,283	13,132	—	(9,189)
Provision (benefit) for income taxes	—	885	563	917	—	2,365
Net income (loss)	—	(32,489)	8,720	12,215	—	(11,554)
Equity in net income (loss) of subsidiaries	(11,554)	20,935	—	—	(9,381)	—
Net income (loss)	$(11,554)	$ (11,554)	$ 8,720	$ 12,215	$ (9,381)	$ (11,554)

Libbey Inc.
Condensed Consolidating Balance Sheet
(dollars in thousands)

	September 30, 2009 (unaudited)					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and equivalents	$ —	$ 19,846	$ 306	$ 10,496	$ —	$ 30,648
Accounts receivable — net	—	35,094	5,756	50,269	—	91,119
Inventories — net	—	51,039	19,362	83,122	—	153,523
Other current assets	—	12,392	9,026	12,760	(20,062)	14,116
Total current assets	—	118,371	34,450	156,647	(20,062)	289,406
Other non-current assets	—	11,317	—	11,276	—	22,593
Investments in and advances to subsidiaries	(61,992)	428,435	269,628	122,455	(758,526)	—
Goodwill and purchased intangible assets — net	—	26,832	15,773	147,711	—	190,316
Total other assets	(61,992)	466,584	285,401	281,442	(758,526)	212,909
Property, plant and equipment — net	—	81,224	6,138	209,500	—	296,862
Total assets	$(61,992)	$666,179	$325,989	$647,589	$(778,588)	$799,177
Accounts payable	$ —	$ 9,508	$ 1,700	$ 40,879	$ —	$ 52,087
Accrued and other current liabilities	—	90,776	17,606	23,098	(20,062)	111,418
Notes payable and long-term debt due within one year	—	216	—	10,453	—	10,669
Total current liabilities	—	100,500	19,306	74,430	(20,062)	174,174
Long-term debt	—	464,905	—	51,125	—	516,030
Other long-term liabilities	—	129,990	10,578	30,397	—	170,965
Total liabilities	—	695,395	29,884	155,952	(20,062)	861,169
Total shareholders' equity	(61,992)	(29,216)	296,105	491,637	(758,526)	(61,992)
Total liabilities and shareholders' equity	$(61,992)	$666,179	$325,989	$647,589	$(778,588)	$799,177

	December 31, 2008					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and equivalents	$ —	$ 6,453	$ 413	$ 6,438	$ —	$ 13,304
Accounts receivable — net	—	32,789	6,076	37,207	—	76,072
Inventories — net	—	58,924	26,892	99,426	—	185,242
Other current assets	—	4,731	316	12,120	—	17,167
Total current assets	—	102,897	33,697	155,191	—	291,785
Other non-current assets	—	9,462	43	12,560	—	22,065
Investments in and advances to subsidiaries	(57,889)	406,812	272,761	143,459	(765,143)	—
Goodwill and purchased intangible assets — net	—	28,216	15,780	148,861	—	192,857
Total other assets	(57,889)	444,490	288,584	304,880	(765,143)	214,922
Property, plant and equipment — net	—	88,628	7,697	218,522	—	314,847
Total assets	$(57,889)	$636,015	$329,978	$678,593	$(765,143)	$821,554
Accounts payable	$ —	$ 9,370	$ 2,794	$ 42,264	$ —	$ 54,428
Accrued and other current liabilities	—	36,589	19,700	35,908	—	92,197
Notes payable and long-term debt due within one year	—	215	—	4,186	—	4,401
Total current liabilities	—	46,174	22,494	82,358	—	151,026
Long-term debt	—	451,772	—	94,084	—	545,856
Other long-term liabilities	—	140,936	14,185	27,440	—	182,561
Total liabilities	—	638,882	36,679	203,882	—	879,443
Total shareholders' equity (deficit)	(57,889)	(2,867)	293,299	474,711	(765,143)	(57,889)
Total liabilities and shareholders' equity (deficit)	$(57,889)	$636,015	$329,978	$678,593	$(765,143)	$821,554

Libbey Inc.
Condensed Consolidating Statement of Cash Flows
(dollars in thousands)
(unaudited)

Three months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 3,533	$ 3,533	$ 2,909	$ 5,152	$(11,594)	$ 3,533
Depreciation and amortization	—	3,447	244	6,938	—	10,629
Other operating activities	(3,533)	1,996	(3,060)	5,480	11,594	12,477
Net cash provided by (used in) operating activities	—	8,976	93	17,570	—	26,639
Additions to property, plant & equipment	—	(833)	(53)	(1,851)	—	(2,737)
Other investing activities	—	(33)	5	200	—	172
Net cash (used in) investing activities	—	(866)	(48)	(1,651)	—	(2,565)
Net borrowings	—	(48)	—	(17,413)	—	(17,461)
Other financing activities	—	—	—	—	—	—
Net cash provided by (used in) financing activities	—	(48)	—	(17,413)	—	(17,461)
Exchange effect on cash	—	—	—	(47)	—	(47)
Increase (decrease) in cash	—	8,062	45	(1,541)	—	6,566
Cash at beginning of period	—	11,784	261	12,037	—	24,082
Cash at end of period	$ —	$19,846	$ 306	$ 10,496	$ —	$ 30,648

Three months ended September 30, 2008	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$(5,958)	$ (5,958)	$ 2,056	$ 2,821	$ 1,081	$ (5,958)
Depreciation and amortization	—	3,782	700	6,417	—	10,899
Other operating activities	5,958	1,150	(2,593)	4,934	(1,081)	8,368
Net cash provided by (used in) operating activities	—	(1,026)	163	14,172	—	13,309
Additions to property, plant & equipment	—	(3,381)	(246)	(8,763)	—	(12,390)
Other investing activities	—	72	(1)	—	—	71
Net cash (used in) investing activities	—	(3,309)	(247)	(8,763)	—	(12,319)
Net borrowings	—	(4,299)	—	(4,957)	—	(9,256)
Other financing activities	—	(369)	—	—	—	(369)
Net cash provided by (used in) financing activities	—	(4,668)	—	(4,957)	—	(9,625)
Exchange effect on cash	—	—	—	(529)	—	(529)
Increase (decrease) in cash	—	(9,003)	(84)	(77)	—	(9,164)
Cash at beginning of period	—	9,420	1,316	7,147	—	17,883
Cash at end of period	$ —	$ 417	$ 1,232	$ 7,070	$ —	$ 8,719

Libbey Inc.
Condensed Consolidating Statement of Cash Flows
(dollars in thousands)
(unaudited)

Nine months ended September 30, 2009	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$(21,696)	$(21,696)	$ 4,913	$ (3,888)	$ 20,671	$(21,696)
Depreciation and amortization	—	11,223	1,830	19,822	—	32,875
Other operating activities	21,696	28,135	(6,588)	31,978	(20,671)	54,550
Net cash provided by (used in) operating activities	—	17,662	155	47,912	—	65,729
Additions to property, plant & equipment	—	(4,194)	(267)	(7,826)	—	(12,287)
Other investing activities	—	55	5	200	—	260
Net cash (used in) investing activities	—	(4,139)	(262)	(7,626)	—	(12,027)
Net borrowings	—	(130)	—	(36,143)	—	(36,273)
Other financing activities	—	—	—	—	—	—
Net cash provided by (used in) financing activities	—	(130)	—	(36,143)	—	(36,273)
Exchange effect on cash	—	—	—	(85)	—	(85)
Increase (decrease) in cash	—	13,393	(107)	4,058	—	17,344
Cash at beginning of period	—	6,453	413	6,438	—	13,304
Cash at end of period	$ —	$ 19,846	$ 306	$ 10,496	$ —	$ 30,648

Nine months ended September 30, 2008	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$(11,554)	$(11,554)	$ 8,720	$ 12,215	$(9,381)	$(11,554)
Depreciation and amortization	—	11,301	2,211	19,921	—	33,433
Other operating activities	11,554	(9,649)	(9,629)	(33,286)	9,381	(31,629)
Net cash provided by (used in) operating activities	—	(9,902)	1,302	(1,150)	—	(9,750)
Additions to property, plant & equipment	—	(9,370)	(602)	(20,030)	—	(30,002)
Other investing activities	—	117	—	—	—	117
Net cash (used in) investing activities	—	(9,253)	(602)	(20,030)	—	(29,885)
Net borrowings	—	(164)	—	13,417	—	13,253
Other financing activities	—	(1,098)	—	—	—	(1,098)
Net cash provided by (used in) financing activities	—	(1,262)	—	13,417	—	12,155
Exchange effect on cash	—	—	—	(340)	—	(340)
Increase (decrease) in cash	—	(20,417)	700	(8,103)	—	(27,820)
Cash at beginning of period	—	20,834	532	15,173	—	36,539
Cash at end of period	$ —	$ 417	$ 1,232	$ 7,070	$ —	$ 8,719

12. Segments

Our segments are described as follows:

- North American Glass—includes sales of glass tableware from subsidiaries throughout the United States, Canada and Mexico.
- North American Other—includes sales of ceramic dinnerware; metal tableware, hollowware and serveware; and plastic items from subsidiaries in the United States.
- International—includes worldwide sales of glass tableware from subsidiaries outside the United States, Canada and Mexico.

Some operating segments were aggregated to arrive at the disclosed reportable segments. The accounting policies of the segments are the same as those described in Note 2 of the Notes to Condensed Consolidated Financial Statements. We do not have any customers who represent 10 percent or more of total net sales. We evaluate the performance of our segments based upon net sales and Earnings Before Interest and Taxes (EBIT). Intersegment sales are consummated at arm's length and are reflected in eliminations in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net Sales:				
North American Glass	$128,316	$143,630	$374,803	$426,120
North American Other	20,462	28,339	66,180	85,042
International	40,279	42,014	103,663	120,166
Eliminations	(2,179)	(2,447)	(4,089)	(7,688)
Consolidated	$186,878	$211,536	$540,557	$623,640
EBIT:				
North American Glass	$ 16,594	$ 9,695	$ 19,727	$ 31,704
North American Other	2,953	2,130	5,263	9,590
International	1,005	1,732	(2,280)	1,797
Consolidated	$ 20,552	$ 13,557	$ 22,710	$ 43,091
Special Charges:				
North American Glass	$ 107	$ —	$ 81	$ —
North American Other	382	—	3,089	—
International	—	—	—	—
Consolidated	$ 489	$ —	$ 3,170	$ —
Depreciation & Amortization:				
North American Glass	$ 6,074	$ 6,627	$ 18,857	$ 19,605
North American Other	244	700	1,830	2,211
International	4,311	3,572	12,188	11,617
Consolidated	$ 10,629	$ 10,899	$ 32,875	$ 33,433
Capital Expenditures:				
North American Glass	$ 1,714	$ 5,125	$ 6,855	$ 15,817
North American Other	53	246	267	602
International	970	7,019	5,165	13,583
Consolidated	$ 2,737	$ 12,390	$ 12,287	$ 30,002
Reconciliation of EBIT to Net Income (Loss):				
Segment EBIT	$ 20,552	$ 13,557	$ 22,710	$ 43,091
Interest Expense	(17,451)	(17,509)	(52,162)	(52,280)
Benefit from (provision for) Income Taxes	432	(2,006)	7,756	(2,365)
Net Income (Loss)	$ 3,533	$ (5,958)	$ (21,696)	$ (11,554)

13. Fair Value

Current accounting rules for Fair Value Accounting under U.S GAAP were issued by the FASB in 2006 under SFAS 157, "Fair Value Measurements" These rules have been incorporated primarily into FASB ASC 820, "Fair Value Measurements and Disclosures", FASB ASC 815, "Derivatives and Hedging", FASB ASC 270, "Interim Reporting" and FASB ASC 250, "Accounting Changes and Error Corrections." We adopted these rules for Fair Value Accounting as of January 1, 2008, but we had not applied them to non-recurring, nonfinancial assets and liabilities. We adopted Fair Value Accounting rules for nonrecurring, nonfinancial assets and liabilities as of January 1, 2009. The adoption of these rules had no impact on our fair value measurements. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on our own assumptions.

	Fair Value at September 30, 2009				Fair Value at December 31, 2008			
Asset / (Liability)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commodity futures natural gas contracts	$—	$ (8,531)	$—	$ (8,531)	$—	$(14,868)	$—	$(14,868)
Interest rate protection agreements	—	(4,029)	—	(4,029)	—	(6,761)	—	(6,761)
Total derivative liability	$—	$(12,560)	$—	$(12,560)	$—	$(21,629)	$—	$(21,629)

The fair values of our interest rate protection agreements are based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The fair values of our commodity futures natural gas contracts are determined using observable market inputs. Since these inputs are observable in active markets over the terms that the instruments are held, the derivatives are classified as Level 2 in the hierarchy. We also evaluate Company and counterparty risk in determining fair values. The total derivative liability is recorded on the Condensed Consolidated Balance Sheets with $10.7 million in derivative liability and $1.8 million in other long-term liabilities as of September 30, 2009. As of December 31, 2008 $17.9 million was recorded in derivative liability and $3.7 million in other long-term liabilities.

The commodity futures natural gas contracts and interest rate protection agreements are hedges of either recorded assets or liabilities or anticipated transactions. Changes in values of the underlying hedged assets and liabilities or anticipated transactions are not reflected in the above table.

14. Subsequent Event

We announced on October 28, 2009 that Libbey had entered into a transaction with Merrill Lynch PCG, Inc. (the "Investor") to exchange the existing 16 percent Senior Subordinated Secured Payment-in-Kind Notes (Old PIK Notes) due in December 2011 of the Company's subsidiary, Libbey Glass Inc. ("Libbey Glass"), for a combination of debt and equity securities (Exchange Transaction). Pursuant to the Exchange Transaction, Old PIK Notes having an outstanding principal balance of approximately $160.9 million have been exchanged for new Senior Subordinated Secured Notes due in 2021 (the New Notes) having a principal amount of approximately $80.4 million, together with common stock and warrants in the Company.

New Notes

Pursuant to the Exchange Transaction, Libbey Glass has issued a New Note payable to the Investor in the principal amount of approximately $80.4 million. Interest under the New Note accrues at zero percent until the date (FRN Redemption Date) that is the first to occur of (a) December 10, 2010 or (b) the date on which the Floating Rate Senior Secured Notes due 2011 (FRNs) of Libbey Glass are redeemed or paid in full. If the New Notes have not been repaid in full on or before the FRN Redemption Date, interest under the New Notes will accrue at the rate of 16 percent per annum and be payable semi-annually in cash or in additional New Notes, at the option of Libbey Glass.

The New Notes mature on the earlier to occur of (a) June 1, 2021 or (b) the date that is 180 days after the maturity date of any part of any debt that refinances the FRNs. In no event, however, will the New Notes mature prior to September 1, 2011. The New Notes are subordinated to the FRNs and secured by a third-priority lien on collateral in the same manner as the Old PIK Notes and contain covenants that are substantially similar to the Old PIK Notes.

New Equity

The Company has also issued to the Investor 933,145 shares of Libbey Inc. common stock. In addition, the Company has issued to the Investor warrants (Series I Warrants) conveying the right to purchase, for $0.01 per share, an additional 3,466,856 shares of the Company’s common stock. Collectively this represents approximately 22.5 percent of the Company’s common stock outstanding following the Exchange Transaction.

The Company will issue additional warrants to the Investor if:

- The New Notes remain outstanding on the FRN Redemption Date, in which case the Company will issue to the Investor warrants (Series II Warrants) conveying the right to purchase, for $0.01 per share, an additional 10 percent of the Company’s common stock then outstanding (on a fully diluted basis, subject to certain exceptions).
- The New Notes remain outstanding on the 180th day, 210th day and/or 240th day after the date of issuance of the Series II Warrant (Series II Date), in which case the Company will issue to the Investor on the 180th, 210th and/or 240th day after the Series II Date, as applicable, additional warrants (Series III Warrants) conveying the right to purchase, for $0.01 per share, an additional 3.33 percent of the Company’s common stock outstanding (on a fully diluted basis, subject to certain exceptions) on the Series II Date.

The percentage of the Company’s outstanding common stock that is represented by Series II and Series III Warrants issuable to the Investor will be reduced on a pro rata basis to the extent the principal balance of the New Notes has been reduced as of the date of issuance of the warrants. All warrants issued to the Investor will expire ten years from the date of issuance. Issuance to the Investor of the Series II Warrants and Series III Warrants will be deferred if and to the extent that issuance of the Series II Warrants or Series III Warrants would cause the Investor’s beneficial ownership of the Company’s common stock to exceed 29.5 percent of the Company’s then outstanding common stock (Cap). The Investor would be required to sell down its common stock in order to receive the remaining portion of the warrants. The Investor is prohibited from attaining beneficial ownership of the Company’s common stock in excess of the Cap. These provisions are designed so that in no event will the Investor’s ownership of common stock or warrants trigger a change of control under Libbey’s existing debt and management change in control agreements.

The accounting treatment of this exchange involves complex issues, is subject to valuation calculations for certain components and is dependent on certain details which were not available until the closing of the transaction. The recording of this transaction along with a complete discussion of the accounting treatment will be included in our filing on Form 10-K for the year ended December 31, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes thereto appearing elsewhere in this report and in our Annual Report filed with the Securities and Exchange Commission. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ from those anticipated in these forward-looking statements as a result of many factors. These factors are discussed in "Risk Factors" under Item 1A of "Part II — Other Information".

Overview

Market conditions continue to be challenging. While comparisons to the sales performance of the third quarter and first nine months of 2008 show dramatic differences, we continue to see the results of our cash flow enhancements outlined on February 11, 2009. We have reduced capital spending, reduced production levels in response to the reduced demand in our markets, reduced our overall costs and reduced our investment in inventories during the first nine months of the year, a period which normally would see a buildup of inventories in anticipation of normally higher sales in the fourth quarter. The decreased production levels have caused pressure on our margins for most of the year as certain fixed costs could not be reduced to the same extent as sales, but we have placed a higher priority on liquidity in the near term. Our third quarter results reflect significant improvements in liquidity, and we have also been able to increase utilization of our production capacity, resulting in increased margins. Our retail business has continued its strong performance; however, at this time we still expect that the eventual recovery of our other markets will occur slowly. We will continue to monitor our customer markets, and as the economy improves we are prepared to adjust production levels further, which should lead to continued improvements in profitability as the margin pressures described above should continue to reverse. On October 28, 2009, we announced a debt exchange with respect to the PIK Notes. Please see note 14 for a further discussion of this subsequent event.

Results of Operations — Third Quarter 2009 Compared with Third Quarter 2008

(Dollars in thousands, except percentages and per-share amounts)	Three months ended September 30, 2009 (2)	2008	Variance In dollars	In percent
Net sales	$186,878	$211,536	$(24,658)	(11.7)%
Gross profit	$ 42,960	$ 37,934	$ 5,026	13.2%
Gross profit margin	*23.0 %*	*17.9 %*		
Income from operations (IFO)	$ 17,849	$ 14,557	$ 3,292	22.6%
IFO margin	*9.6 %*	*6.9 %*		
Earnings before interest and income taxes (EBIT) *(1)*	$ 20,552	$ 13,557	$ 6,995	51.6%
EBIT margin	*11.0 %*	*6.4 %*		
Earnings before interest, taxes, depreciation and amortization (EBITDA) *(1)*	$ 31,181	$ 24,456	$ 6,725	27.5%
EBITDA margin	*16.7 %*	*11.6 %*		
Net income (loss)	$ 3,533	$ (5,958)	$ 9,491	159.3%
Net income (loss) margin	*1.9 %*	*(2.8)%*		
Diluted net income (loss) per share	$ 0.23	$ (0.40)	$ 0.63	157.5%

(1) We believe that EBIT and EBITDA, non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. See Table 1 for a reconciliation of net income (loss) to EBIT and EBITDA and a further discussion as to the reasons we believe these non-GAAP financial measures are useful.

(2) Includes pre-tax restructuring charges of $0.5 million related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center. (See note 5 to the Condensed Consolidated Financial Statements).

Net Sales

For the quarter ended September 30, 2009, net sales decreased 11.7 percent to $186.9 million from third quarter sales of $211.5 million in the year-ago quarter. North American Glass net shipments decreased 10.7 percent to $128.3 million from $143.6 million in the year-ago quarter. The decrease in sales was primarily attributable to a 13.7 percent decrease in sales to Crisa customers, resulting principally from the currency impact of the Mexican peso. Crisa shipments decreased 0.6 percent excluding the currency impact. In addition, an 18.4 percent decline in shipments to U.S. and Canada foodservice glassware customers was offset by a 9.4 percent increase in shipments to U.S. and Canada retail glassware customers. North American Other net sales decreased 27.8 percent due to a decline in shipments of World Tableware, Syracuse China and Traex products. International net sales decreased 4.1 percent compared to the year-ago quarter, as a 20.0 percent increase in shipments to Libbey China customers was offset by unfavorable currency impact of the weaker euro when compared to the U.S. dollar. Excluding the currency impact, International sales decreased 0.4 percent, as shipments to Royal Leerdam customers increased 1.1 percent and shipments to Crisal glassware customers declined 2.4 percent when compared to the prior-year period.

Gross Profit

For the quarter ended September 30, 2009, gross profit increased by $5.0 million, or 13.2 percent, to $43.0 million, compared to $37.9 million in the year-ago quarter. Gross profit as a percentage of net sales increased to 23.0 percent, compared to 17.9 percent in the year-ago quarter. Reductions in manufacturing costs offset by lower production activity primarily in our International segment resulted in a $11.7 million improvement in gross profit, as reductions in natural gas, labor and packaging expenses more than offset the impact of decreased production. Decreases in distribution costs contributed another $4.3 million of improvement. These improvements were offset by a $10.8 million impact from unfavorable mix and the lower level of net sales.

Income From Operations

Income from operations for the quarter ended September 30, 2009 increased $3.3 million, or 22.6 percent, to $17.8 million, compared to $14.6 million in the year-ago quarter. Income from operations as a percentage of net sales increased to 9.6 percent in the third quarter 2009, compared to 6.9 percent in the year-ago quarter. The improvement in income from operations is a result of higher gross profit and gross profit margin (discussed above), offset by a $0.3 million special charge related primarily to the shutdowns of the Syracuse China manufacturing facility and Mira Loma distribution center (see Note 5 for more discussion about these charges) and an increase of $1.4 million in selling, general and administrative expenses. The $1.4 million increase in selling, general and administrative expenses is mainly due to an increase in expense related to our annual incentive plan.

Earnings Before Interest and Income Taxes (EBIT)

Earnings before Interest and Income Taxes (EBIT) for the quarter ended September 30, 2009 increased by $7.0 million, from $13.6 million in 2008, to $20.6 million in 2009. EBIT as a percentage of net sales increased to 11.0 percent in the third quarter 2009, compared to 6.4 percent in the year-ago quarter. Key contributors to the increase in EBIT compared to the year-ago quarter are the same as those discussed above under Income From Operations. In addition, other income increased by $3.7 million primarily related to a favorable swing in foreign currency translation gains versus the prior year quarter.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

EBITDA increased by 27.5 percent to $31.2 million in the third quarter of 2009 from $24.5 million in the year-ago quarter. As a percentage of net sales, EBITDA was 16.7 percent for the third quarter 2009, compared to 11.6 percent in the year-ago quarter. The key contributors to the increase in EBITDA were those factors discussed above under Earnings before Interest and Income Taxes (EBIT). These improvements were slightly offset as EBITDA does not include the benefit of a $0.3 million decrease in depreciation and amortization expenses which is primarily due to the shutdown of our Syracuse China operations.

Net Income (Loss) and Diluted Net Income (Loss) Per Share

We recorded net income of $3.5 million, or $0.23 per diluted share, in the third quarter 2009, compared to a net loss of $(6.0) million, or $(0.40) per diluted share, in the year-ago quarter. Net income (loss) as a percentage of net sales was 1.9 percent in the third quarter 2009, compared to (2.8) percent in the year-ago quarter. The improvement in Net Income (Loss) and Diluted Net Income (Loss) Per Share is generally due to the factors discussed in EBIT above. Furthermore, the effective tax rate provided a 13.9 percent benefit for the quarter compared to a 50.8 percent expense in the year-ago quarter, due primarily to a $1.4 million tax benefit related to the required intra-period tax allocation between income from operations and other comprehensive income in the U.S. in the current quarter. The Company’s effective tax rate also changed from the year-ago quarter as a result of changes in valuation allowances in the United States, the Netherlands, and Portugal. Further, changes in the mix of earnings in countries with differing statutory tax rates, changes in accruals related to uncertain tax positions, tax planning structures and changes in tax laws have also impacted the effective tax rate, and could cause more volatility in the future.

Results of Operations — First Nine Months 2009 Compared with First Nine Months 2008

(Dollars in thousands, except percentages and per-share amounts)	Nine months ended September 30, 2009 (2)	2008	Variance In dollars	In percent
Net sales	$540,557	$623,640	$(83,083)	(13.3)%
Gross profit	$ 87,959	$110,439	$(22,480)	(20.4)%
Gross profit margin	*16.3 %*	*17.7 %*		
Income from operations (IFO)	$ 17,286	$ 42,752	$(25,466)	(59.6)%
IFO margin	*3.2 %*	*6.9 %*		
Earnings before interest and income taxes (EBIT) *(1)*	$ 22,710	$ 43,091	$(20,381)	(47.3)%
EBIT margin	*4.2 %*	*6.9 %*		
Earnings before interest, taxes, depreciation and amortization (EBITDA) *(1)*	$ 55,585	$ 76,524	$(20,939)	(27.4)%
EBITDA margin	*10.3 %*	*12.3 %*		
Net loss	$ (21,696)	$ (11,554)	$(10,142)	(87.8)%
Net loss margin	*(4.0)%*	*(1.9)%*		
Diluted net loss per share	$ (1.45)	$ (0.79)	$ (0.66)	(83.5)%

(1) We believe that EBIT and EBITDA, non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. See Table 1 for a reconciliation of net loss to EBIT and EBITDA and a further discussion as to the reasons we believe these non-GAAP financial measures are useful.

(2) Includes pre-tax restructuring charges of $3.2 million related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center. (See note 5 to the Condensed Consolidated Financial Statements).

Net Sales

For the nine months ended September 30, 2009, net sales decreased 13.3 percent to $540.6 million from sales of $623.6 million in the year-ago period. North American Glass net sales decreased 12.0 percent to $374.8 million from sales of $426.1 million in the year-ago period, due primarily to a decrease of 23.4 percent in shipments to Crisa customers and a decline of 9.9 percent in shipments to U.S. and Canadian foodservice glassware customers. The devaluation of the Mexican peso caused a sales decline of approximately 13.0 percent at Crisa, representing more than half of the overall 23.4 percent reduction in Crisa sales. Due to continued strength in the third quarter, our U.S. retail sales were 3.2 percent ahead of last year’s sales level through the first nine months of the year, representing a new record for the nine month period. North American Other net sales decreased 22.2 percent to $66.2 million from sales of $85.0 million in the year-ago period due to a decline in shipments of World Tableware, Syracuse China and Traex products. International net sales decreased 13.7 percent to $103.7 million from sales of $120.2 million in the year-ago period, including 7.5 percent due to unfavorable currency impact resulting primarily from the declining strength of the euro when compared to the U.S. dollar. Libbey China sales increased 10.5 percent compared to the year-ago period. Excluding the currency impact, International sales decreased approximately 6.2 percent, as shipments to Royal Leerdam and Crisal glassware customers declined when compared to the prior year period.

Gross Profit

For the nine months ended September 30, 2009, gross profit decreased by $22.5 million, or 20.4 percent, to $88.0 million, compared to $110.4 million in the year-ago period. Gross profit as a percentage of net sales decreased to 16.3 percent, compared to 17.7 percent in the year-ago period. An unfavorable mix and lower level of net sales, particularly in the U.S., resulted in $20.0 million of the decline in gross profit, and lower production activity offset by reduced manufacturing costs contributed another $2.3 million to the decrease, as a significant portion of these expenses are fixed and could not be reduced to the same extent as net sales. Also, an unfavorable currency impact resulted in $11.9 million of the decline in gross profit. In addition, the current year included special charges of $1.9 million related to the Syracuse China manufacturing facility and Mira Loma distribution center shutdowns. These unfavorable items were offset by a reduction of $12.2 million in our distribution costs.

Income From Operations

Income from operations for the nine months ended September 30, 2009 decreased $25.5 million, to $17.3 million, compared to $42.8 million in the year-ago period. Income from operations as a percentage of net sales decreased to 3.2 percent in the first nine months of 2009, compared to 6.9 percent in the year-ago period. The decline in income from operations is a result of lower gross profit (discussed above), combined with a $2.0 million increase in selling, general and administrative expenses and a $1.0 million special charge primarily related to the Syracuse China shutdown. The $2.0 million increase in selling, general and administrative expenses was caused by a $7.6 million increase in expense for our annual incentive plan, a $3.0 million pension settlement charge arising from lump sum payments to retirees during the first nine months of 2009 and the one-time 2008 accrual reversal of $1.3 million related to favorable rulings in connection with an outstanding dispute regarding a warehouse lease in Mexico. These increases in selling general and administrative expenses were offset by favorable currency impact of $1.7 million and decreases of $5.9 million and $4.6 million in labor and benefit costs and selling, marketing and other expenses, respectively.

Earnings Before Interest and Income Taxes (EBIT)

Earnings before Interest and Income Taxes (EBIT) decreased by $20.4 million, from $43.1 million in 2008 to $22.7 million in 2009. EBIT as a percentage of net sales decreased to 4.2 percent in the first nine months of 2009, compared to 6.9 percent in the year-ago period. Key contributors to the decrease in EBIT compared to the year-ago period are the same as those discussed above under Income From Operations, offset by a $5.1 million increase in other income primarily related to a favorable swing in foreign currency translation gains versus the prior year quarter.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

EBITDA decreased by 27.4 percent to $55.6 million in the first nine months of 2009 from income of $76.5 million in the year-ago period. As a percentage of net sales, EBITDA was 10.3 percent for the first nine months of 2009, compared to 12.3 percent in the year-ago period. The key contributors to the decrease in EBITDA were those factors discussed above under Earnings before Interest and Income Taxes (EBIT). In addition, EBITDA does not include the comparative benefit of a $0.6 million decrease in depreciation and amortization expenses.

Net Loss and Diluted Net Loss Per Share

We recorded a net loss of $(21.7) million, or $(1.45) per diluted share, in the first nine months of 2009, compared to a net loss of $(11.6) million, or $(0.79) per diluted share, in the year-ago period. Net loss as a percentage of net sales was (4.0) percent in the first nine months of 2009, compared to (1.9) percent in the year-ago period. The improvement in Net Income (Loss) and Diluted Net Income (Loss) Per Share is generally due to the factors discussed in EBIT above. In addition, the effective tax rate was 26.3 percent for the period compared to negative 25.7 percent in the year-ago period, due primarily to a $5.3 million tax benefit related to the required intra-period tax allocation between income from operations and other comprehensive income in the U.S. in the first nine months of 2009 and a $1.5 million benefit related to adjustments in tax reserves due to the completion of a U.S. federal income tax examination. The Company’s effective tax rate changed from the year-ago quarter also as a result of changes in valuation allowances in the United States, the Netherlands, and Portugal. Further, changes in the mix of earnings in countries with differing statutory tax rates, changes in accruals related to uncertain tax positions, tax planning structures and changes in tax laws have also impacted the effective tax rate.

Segment Results of Operations

(Dollars in thousands)	Three months ended September 30, 2009	2008	Variance In dollars	In percent	Nine months ended September 30, 2009	2008	Variance In dollars	In percent
Net Sales:								
North American Glass	$128,316	$143,630	$(15,314)	(10.7)%	$374,803	$426,120	$(51,317)	(12.0)%
North American Other	20,462	28,339	(7,877)	(27.8)%	66,180	85,042	(18,862)	(22.2)%
International	40,279	42,014	(1,735)	(4.1)%	103,663	120,166	(16,503)	(13.7)%
Eliminations	(2,179)	(2,447)			(4,089)	(7,688)		
Consolidated	$186,878	$211,536	$(24,658)	(11.7)%	$540,557	$623,640	$(83,083)	(13.3)%
EBIT:								
North American Glass	$ 16,594	$ 9,695	$ 6,899	71.2%	$ 19,727	$ 31,704	$(11,977)	(37.8)%
North American Other	2,953	2,130	823	38.6%	5,263	9,590	(4,327)	(45.1)%
International	1,005	1,732	(727)	(42.0)%	(2,280)	1,797	(4,077)	(226.9)%
Consolidated	$ 20,552	$ 13,557	$ 6,995	51.6%	$ 22,710	$ 43,091	$(20,381)	(47.3)%
EBIT Margin:								
North American Glass	12.9%	6.7%			5.3%	7.4%		
North American Other	14.4%	7.5%			8.0%	11.3%		
International	2.5%	4.1%			(2.2)%	1.5%		
Consolidated	11.0%	6.4%			4.2%	6.9%		
Special charges:								
North American Glass	$ 107	$ —	$ 107	100.0%	$ 81	$ —	$ 81	100.0%
North American Other	382	—	382	100.0%	3,089	—	3,089	100.0%
International	—	—	—	NM	—	—	—	NM
Consolidated	$ 489	$ —	$ 489	100.0%	$ 3,170	$ —	$ 3,170	100.0%

Segment Results of Operations – Third Quarter 2009 Compared to Third Quarter 2008

North American Glass

For the quarter ended September 30, 2009, net sales decreased 10.7 percent to $128.3 million from $143.6 million in the year-ago quarter. Of the decrease in net sales, approximately 5.4 percent was attributable to decreased shipments to Crisa's customers and 7.0 percent was attributable to decreased shipments to U.S. and Canadian foodservice glassware customers offset by a 2.2 percent increase in sales to U.S. and Canadian retail glassware customers. Of the 5.4 percent attributable to decreased shipments of Crisa product, 5.2 percent is related to an unfavorable currency impact.

EBIT increased to $16.6 million for the third quarter 2009, compared to $9.7 million for the year-ago quarter. EBIT as a percentage of net sales increased to 12.9 percent in the third quarter 2009, compared to 6.7 percent in the year-ago quarter. The key factors in the increase in EBIT compared to the year-ago quarter were $9.0 million due to lower manufacturing costs offset by decreased production activity, a $3.3 million decrease in distribution costs and an improvement of $3.6 million primarily due to favorable foreign currency translation gains. The factors contributing to the increase in EBIT were partially offset by $7.5 million due to an unfavorable sales mix, a $1.6 million increase in SG&A costs and an unfavorable currency impact from the devaluation of the Mexican peso of $0.2 million. The $1.6 million increase in SG&A costs was caused by a $5.7 million increase in expense for our annual incentive plan offset by a decrease of $4.2 million in labor and benefit expenses.

North American Other

For the quarter ended September 30, 2009, net sales declined 27.8 percent to $20.5 million from $28.3 million in the year-ago quarter. Components of the total decrease in net sales were declines of approximately 16.1 percent in shipments of Syracuse China products related to the closure of the Syracuse China facility earlier this year and the decision to reduce the Syracuse China product offering, approximately 5.4 percent in shipments of Traex products and approximately 6.2 percent in shipments of World Tableware products.

EBIT increased by $0.8 million for the third quarter of 2009, compared to the year-ago quarter. EBIT as a percentage of net sales increased to 14.4 percent in the third quarter of 2009, compared to 7.5 percent in the year-ago quarter due to lower production and purchasing levels in the segment. The key contributors to the increased EBIT were decreases of $2.9 million in manufacturing and purchased product costs, $0.2 million in distribution costs and $1.0 million in SG&A expenses. These reductions in costs were primarily the result of the April 2009 closure of our Syracuse China facility, as EBIT for the Syracuse China operations contributed a $1.0 million improvement compared to the prior year period. This was offset by decreased sales volume and mix, which caused an unfavorable $3.5 million impact.

International

For the quarter ended September 30, 2009, net sales decreased 4.1 percent to $40.3 million from $42.0 million in the year-ago quarter. The decrease was primarily the result of a weaker euro, which caused a 4.4 percent decline. This currency impact was offset by an increase in shipments to customers of Libbey China, as shipments to Royal Leerdam and Crisal customers were essentially flat as a component of the total International segment variance.

EBIT declined by $0.7 million for the third quarter of 2009, to $1.0 million from $1.7 million in the year-ago quarter. EBIT as a percentage of net sales decreased to 2.5 percent in the third quarter 2009, compared to 4.1 percent in the year-ago quarter. Decreased production activity offset by lower manufacturing costs were responsible for $0.8 million of the EBIT decline. In addition, EBIT was negatively affected by an unfavorable currency impact from the euro of $0.2 million and additional depreciation and amortization of $0.7 million. These factors were offset by a $0.9 million decrease in distribution costs.

Segment Results of Operations — First Nine Months 2009 Compared to First Nine Months 2008

North American Glass

For the nine months ended September 30, 2009, net sales decreased 12.0 percent to $374.8 million from $426.1 million in the year-ago period. Of the total decrease in net sales, approximately 9.1 percent was attributable to decreased shipments to Crisa’s customers and 4.9 percent was attributable to decreased shipments to U.S. and Canadian foodservice glassware customers. The primary offset to these declines was a 0.7 percent increase from the U.S. and Canadian retail channel, which delivered sales above the performance of the first nine months of 2008. Of the 9.1 percent attributable to decreased shipments of Crisa product, 5.1 percent is related to an unfavorable currency impact.

EBIT decreased to $19.7 million for the first nine months of 2009, compared to $31.7 million for the year-ago period. EBIT as a percentage of net sales decreased to 5.3 percent in the first nine months of 2009, compared to 7.4 percent in the year-ago period. The key factors in the decline in EBIT compared to the year-ago period were $13.2 million due to an unfavorable sales mix and an unfavorable currency impact from the devaluation of the Mexican peso of $9.3 million. In addition, EBIT was negatively impacted by a $4.9 million increase in selling, general and administrative expense, which resulted primarily from a $3.0 million pension settlement charge arising from lump sum payments to retirees during the first nine months of 2009 and a one-time reversal of a $1.3 million accrual in the first quarter of 2008 related to favorable rulings in connection with an outstanding dispute regarding a warehouse lease in Mexico. The factors contributing to the decrease in EBIT were partially offset by decreases of $9.8 million in distribution costs and favorable currency translation gains of $4.4 million in other income when compared to the prior year period.

North American Other

For the nine months ended September 30, 2009, net sales declined 22.2 percent to $66.2 million from $85.0 million in the year-ago period. Components of the total decrease in net sales were declines of approximately 10.8 percent in shipments of Syracuse China products due to closure of the manufacturing facility and reduction in the product offering, approximately 6.7 percent in shipments of World Tableware products and approximately 5.0 percent in shipments of Traex products.

EBIT declined by $4.3 million for the first nine months of 2009, compared to the year-ago period. EBIT as a percentage of net sales decreased to 8.0 percent in the first nine months of 2009, compared to 11.3 percent in the year-ago period. The key contributor to the decreased EBIT was decreased sales, which had an unfavorable $11.6 million impact. Production costs included a $0.7 million special charge due to additional depreciation expenses recorded to reflect the shorter remaining useful life of the assets at our Syracuse China facility and a $1.0 million write-down of raw materials and work in process inventory also related to the shutdown of our Syracuse China facility. This was offset by decreases of $5.1 million in other production costs and purchased product, $1.6 million in distribution costs, and a decrease of $2.2 million in SG&A expenses driven by lower selling and marketing expenses. These reductions in costs were primarily the result of the April 2009 closure of our Syracuse China manufacturing facility.

International

For the nine months ended September 30, 2009, net sales decreased 13.7 percent to $103.7 million from $120.2 million in the year-ago period. Of the total decrease in net sales, 8.5 percent was related to the currency impact of a weaker euro. The majority of the remaining decrease in net sales was related to decreased shipments to Royal Leerdam and Crisal customers, offset by an increase of 1.4 percent attributable to sales to customers of Libbey China.

EBIT declined by $4.1 million for the first nine months of 2009 to $(2.3) million, compared to $1.8 million in the year-ago period. EBIT as a percentage of net sales decreased to (2.2) percent in the first nine months of 2009, compared to 1.5 percent in the year-ago period. Decreased net sales and production activity offset by lower manufacturing costs were responsible for $0.1 million and $3.1 million of the EBIT decline, respectively, as we lowered production levels in response to lower sales and to manage inventory levels. In addition, EBIT was negatively impacted by an unfavorable currency impact from the euro of $0.9 million.

Capital Resources and Liquidity

Balance Sheet and Cash Flows

Cash and Equivalents

At September 30, 2009, our cash balance was $30.6 million, an increase of $17.3 million from $13.3 million at December 31, 2008. The increase was primarily due to an increase in our free cash flow offset by payments on our ABL facility.

Working Capital

The following table presents our working capital components:

(Dollars in thousands, except percentages and DSO, DIO, DPO and DWC)	September 30, 2009	December 31, 2008	Variance In dollars	Variance In percent
Accounts receivable — net	$ 91,119	$ 76,072	$ 15,047	19.8%
DSO (1)	*45.7*	*34.3*		
Inventories — net	$153,523	$185,242	$(31,719)	(17.1)%
DIO (2)	*77.1*	*83.5*		
Accounts payable	$ 52,087	$ 54,428	$ (2,341)	(4.3)%
DPO (3)	*26.1*	*24.5*		
Working capital (4)	$192,555	$206,886	$(14,331)	(6.9)%
DWC (5)	*96.7*	*93.3*		
Percentage of net sales	*26.5 %*	*25.5 %*		

DSO, DIO, DPO and DWC are calculated using net sales as the denominator and are based on a 365-day calendar year.

(1) *Days sales outstanding (DSO) measures the number of days it takes to turn receivables into cash.*

(2) *Days inventory outstanding (DIO) measures the number of days it takes to turn inventory into cash.*

(3) *Days payable outstanding (DPO) measures the number of days it takes to pay the balances of our accounts payable.*

(4) *Working capital is defined as net accounts receivable plus net inventories less accounts payable. See Table 3 for the calculation of this non-GAAP financial measure and for further discussion as to the reasons we believe this non-GAAP financial measure is useful.*

(5) *Days working capital (DWC) measures the number of days it takes to turn our working capital into cash.*

Working capital (as defined above) was $192.6 million at September 30, 2009, a decrease of $14.3 million from December 31, 2008.

This decrease is due primarily to lower inventories, which resulted from our continued focus on our cash management efforts to increase cash flow through reductions in working capital, and lower production activity. Partially offsetting our lower inventories is an increase in accounts receivable. Our DSO also increased compared to the end of the year as sales in the third quarter of 2009 were heavily weighted towards the end of the quarter, driving up the quarter-end receivables balance. During the final quarter of 2008, sales declined throughout the quarter, so the majority of collections for sales in the quarter had occurred before the end of December. Working capital as a percentage of net sales increased from 25.5 percent from December 31, 2008 to 26.5 percent at September 30, 2009.

Borrowings

The following table presents our total borrowings:

(Dollars in thousands)	Interest Rate	Maturity Date	September 30, 2009	December 31, 2008
Borrowings under ABL facility	floating	December 16, 2010	$ —	$ 34,538
Senior notes	floating (1)	June 1, 2011	306,000	306,000
PIK notes (2)	16.00%	December 1, 2011	160,862	148,946
Promissory note	6.00%	October, 2009 to September, 2016	1,537	1,666
Notes payable	floating	October, 2009	1,517	3,284
RMB loan contract	floating	July, 2012 to January, 2014	36,675	36,675
RMB working capital loan	floating	March, 2010	7,335	7,335
Obligations under capital leases	floating	May, 2009	—	302
BES Euro line	floating	December, 2009 to December, 2013	16,051	15,507
Other debt	floating	September, 2009	—	630
Total borrowings			529,977	554,883
Less — unamortized discounts and warrants			3,278	4,626
Total borrowings — net (3)			$526,699	$550,257

(1) See “Derivatives” below and note 9 to the Condensed Consolidated Financial Statements.

(2) Additional PIK Notes were issued each June 1 and December 1, commencing on December 1, 2006, to pay semi-annual interest. During the first three years, interest was payable by the issuance of additional PIK Notes.

(3) The total borrowings — net include notes payable, long-term debt due within one year and long-term debt as stated in our Condensed Consolidated Balance Sheets.

We had total borrowings of $530.0 million at September 30, 2009, compared to total borrowings of $554.9 million at December 31, 2008. The $24.9 million decrease in borrowings was primarily the result of the repayment of borrowings under our ABL facility, offset by an increase in our PIK Notes.

Of our total indebtedness, $167.6 million, or approximately 31.6 percent, is subject to variable interest rates at September 30, 2009. A change of one percentage point in such rates would result in a change in interest expense of approximately $1.7 million on an annual basis.

Included in interest expense is the amortization of discounts, warrants and financing fees. These items amounted to $1.3 million and $3.8 million for the three months and nine months ended September 30, 2009, respectively, and $1.2 million and $3.7 million for the three months and nine months ended September 30, 2008, respectively.

Cash Flow

The following table presents key drivers to our free cash flow for the third quarter.

(Dollars in thousands, except percentages)	Three months ended September 30, 2009	2008	Variance In dollars	In percent
Net cash provided by operating activities	$26,639	$ 13,309	$13,330	100.2%
Capital expenditures	(2,737)	(12,390)	9,653	77.9%
Proceeds from asset sales and other	172	71	101	142.3%
Free cash flow *(1)*	$24,074	$ 990	$23,084	NM

(1) We believe that Free Cash Flow [net cash provided by (used in) operating activities, less capital expenditures, plus proceeds from assets sales and other] is a useful metric for evaluating our financial performance, as it is a measure we use internally to assess

performance. See Table 2 for a reconciliation of net cash provided by (used in) operating activities to free cash flow and a further discussion as to the reasons we believe this non-GAAP financial measure is useful.

Our net cash provided by operating activities was $26.6 million in the third quarter of 2009, compared to net cash provided by operating activities of $13.3 million in the year-ago quarter, or an improvement of $13.3 million. The major factors impacting cash flow from operations were the $9.5 million improvement in net income and a $12.8 million decrease in cash utilized for pension and postretirement benefits. The cash generated from these cash flow improvements was utilized to pay down debt and increase our cash balance.

Our net cash used in investing activities decreased to $2.6 million in the third quarter of 2009, compared to $12.3 million in the year-ago period, primarily as a result of decreased capital expenditures in our North American Glass and International segments.

Net cash used in financing activities was $17.5 million in the third quarter of 2009, compared to $9.6 million in the year-ago quarter. During the third quarter of 2009, we utilized an additional $8.3 million to pay down the ABL Facility, offset by a decrease in dividends and other payments.

Our free cash flow was $24.1 million during the third quarter 2009, compared to $1.0 million in the year-ago quarter, an improvement of $23.1 million. The primary contributors to this change were the improvement in cash flow from operating activities and reduced capital expenditures in the current period, as discussed above.

The following table presents key drivers to our free cash flow for the first nine months.

(Dollars in thousands, except percentages)	Nine months ended September 30, 2009	2008	Variance In dollars	In percent
Net cash provided by (used in) operating activities	$ 65,729	$ (9,750)	$75,479	774.1%
Capital expenditures	(12,287)	(30,002)	17,715	59.0%
Proceeds from asset sales and other	260	117	143	122.2%
Free cash flow *(1)*	$ 53,702	$(39,635)	$93,337	235.5%

(1) We believe that Free Cash Flow [net cash provided by (used in) operating activities, less capital expenditures, plus proceeds from assets sales and other] is a useful metric for evaluating our financial performance, as it is a measure we use internally to assess performance. See Table 2 for a reconciliation of net cash provided by (used in) operating activities to free cash flow and a further discussion as to the reasons we believe this non-GAAP financial measure is useful.

Our net cash provided by operating activities was $65.7 million in the first nine months of 2009, compared to net cash used by operating activities of $9.8 million in the year-ago period, or an improvement of $75.5 million. The major factors impacting cash flow from operations were a $51.0 million improvement in working capital performance compared to the prior year period, as cash flow improvements of $42.8 million from inventory and $12.5 million from accounts payable, partially offset by a $4.3 million increase in accounts receivable, reflected our efforts to improve liquidity during the current economic downturn. Further improvement in net cash provided by operating activities is the result of the final $19.6 million payment to Vitro made in 2008 related to the 2006 Crisa acquisition and a $16.7 million decrease in cash outlay for pension and postretirement benefits. These improvements were offset by an increase of $10.1 million in our net loss. The cash generated by these cash flow improvements was utilized to pay down debt and increase our cash balance.

Our net cash used in investing activities decreased to $12.0 million in the first nine months of 2009, compared to $29.9 million in the year-ago period, primarily as a result of decreased capital expenditures in our North American Glass and International segments.

Net cash used in (provided by) financing activities was a use of $36.3 million in the first nine months of 2009, compared to net cash provided by financing activities of $12.1 million in the year-ago period, or a swing of $48.4 million. During the first nine months of 2008, we utilized $14.5 million more of our capacity on the ABL Facility to fund our operating needs, while we made $33.5 million of repayments on that facility in the first nine months of 2009.

Our free cash flow was $53.7 million during the first nine months 2009, compared to a use of cash of $39.6 million in the year-ago period, an improvement of $93.3 million. The primary contributor to this change was the improvement in cash flow from operating activities and reduced capital expenditures in the current period.

Derivatives

We have Interest Rate Protection Agreements (Rate Agreements) with respect to $200.0 million of debt as a means to manage our exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of our long-term borrowings from variable rate debt to fixed-rate debt, thus reducing the impact of interest rate changes on future income. The fixed interest rate for our borrowings related to the Rate Agreements at September 30, 2009, excluding applicable fees, is 5.24 percent per year and the total interest rate, including applicable fees, is 12.24 percent per year. These Rate Agreements expire on December 1, 2009. Total remaining Senior Notes not covered by the Rate Agreements have fluctuating interest rates with a weighted average rate of 8.26 percent per year at September 30, 2009. If the counterparties to these Rate Agreements were to fail to perform, these Rate Agreements would no longer protect us from interest rate fluctuations. However, we do not anticipate nonperformance by the counterparties. All counterparties were rated A+ or better as of September 30, 2009, by Standard and Poor's.

The fair market value for the Rate Agreements at September 30, 2009, was a $(4.0) million liability. At December 31, 2008, the fair market value of these Rate Agreements was a $(6.8) million liability. The fair value of the Rate Agreements is based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. We do not expect to cancel these agreements and expect them to mature as originally contracted.

We also use commodity futures contracts related to forecasted future North American natural gas requirements. The objective of these futures contracts is to reduce the effects of fluctuations and adverse price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements up to eighteen months in the future. The fair values of these instruments are determined from market quotes. At September 30, 2009, we had commodity futures contracts for 3,220,000 million British Thermal Units (BTUs) of natural gas with a fair market value of an $(8.5) million liability. We have hedged approximately 42 percent of forecasted transactions through December 2010. At December 31, 2008, we had commodity futures contracts for 5,280,000 million BTUs of natural gas with a fair market value of a $(14.9) million liability. The counterparties for these derivatives were rated BBB+ or better as of September 30, 2009, by Standard & Poor's.

Capital Resources and Liquidity

Historically, cash flows generated from operations and our borrowing capacity under our ABL facility have allowed us to meet our cash requirements, including capital expenditures and working capital needs. Remaining unused availability on the ABL Facility was $81.3 million at September 30, 2009 and $44.6 million at December 31, 2008. In addition, our cash and cash equivalents balance of $30.6 million at September 30, 2009 is available for our short term financing needs. We were impacted by recessionary pressures in 2008, especially during the fourth quarter of the year, and the first nine months of 2009, and we anticipate that the global economic recession will continue for the fourth quarter of 2009 and perhaps beyond. Under the terms and conditions in place at September 30, 2009, interest on our PIK Notes would have been payable in cash beginning December 1, 2009. We began taking a number of steps to enhance our liquidity in 2008 and have continued with further steps in 2009 (including those announced in February, 2009). These initiatives were expected to result in cash flow improvements in the range of $46 million to $50 million for 2009. These initiatives have been implemented, and we are beginning to see the results in our cash flow. These amounts included a reduction of $22 million to $24 million in capital expenditures. We are on course to exceed the higher end of that range, as our capital expenditures are expected to reach $20 million or less for the year, compared to the $45.7 million spent in 2008. Additionally, as further discussed in Note 14, "Subsequent Events," on October 28, 2009, we announced that we had entered into a transaction to exchange the PIK Notes for a combination of debt and equity which will have the impact of reducing cash paid for interest. The original requirement for a cash interest payment of $12.9 million on December 1, 2009 has been canceled. However, if cash generated from operations is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or arrange additional debt financing. Global financial markets and economic conditions as well as the credit and capital markets have been, and continue to be, volatile. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made it difficult, and will likely continue to make it difficult, to obtain funding in future periods. If cash generated from operations and cash available from our ABL Facility are not sufficient to meet our needs, we cannot provide assurance that we will be able to obtain additional financing in sufficient amounts and/or on acceptable terms in the near future or when our debt obligations reach maturity. Our ABL Facility expires in December 2010, the Senior Notes expire in June 2011, and the PIK Notes originally were scheduled to expire in December 2011. As mentioned above, please see note 14 for a discussion of a debt exchange that occurred subsequent to the end of the third quarter. Based upon our operating plans and current forecast expectations (including expectations that the global economy will not deteriorate further) and in light of our debt exchange that occurred subsequent to the quarter's end, we anticipate that we will generate positive cash flow from operations and, if necessary, have sufficient cash availability from our ABL Facility to meet our ongoing liquidity needs.

Reconciliation of Non-GAAP Financial Measures

We sometimes refer to data derived from condensed consolidated financial information but not required by GAAP to be presented in financial statements. Certain of these data are considered "non-GAAP financial measures" under Securities and Exchange Commission (SEC) Regulation G. We believe that non-GAAP data provide investors with a more complete understanding of underlying results in our core business and trends. In addition, we use non-GAAP data internally to assess performance. Although we believe that the non-GAAP financial measures presented enhance investors' understanding of our business and performance, these non-GAAP measures should not be considered an alternative to GAAP.

Table 1

Reconciliation of net income (loss) to EBIT and EBITDA	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2009	2008	2009	2008
Net income (loss)	$ 3,533	$ (5,958)	$(21,696)	$(11,554)
Add: Interest expense	17,451	17,509	52,162	52,280
Add: (Benefit from) provision for income taxes	(432)	2,006	(7,756)	2,365
Earnings before interest and income taxes (EBIT)	20,552	13,557	22,710	43,091
Add: Depreciation and amortization	10,629	10,899	32,875	33,433
Earnings before interest, taxes, deprecation and amortization (EBITDA)	$31,181	$24,456	$ 55,585	$ 76,524

We define EBIT as net income (loss) before interest expense and income taxes. The most directly comparable U.S. GAAP financial measure is net income.

We believe that EBIT is an important supplemental measure for investors in evaluating operating performance in that it provides insight into company profitability. Libbey's senior management uses this measure internally to measure profitability. EBIT also allows for a measure of comparability to other companies with different capital and legal structures, which accordingly may be subject to different interest rates and effective tax rates.

The non-GAAP measure of EBIT does have certain limitations. It does not include interest expense, which is a necessary and ongoing part of our cost structure resulting from debt incurred to expand operations. Because this is a material and recurring item, any measure that excludes it has a material limitation. EBIT may not be comparable to similarly titled measures reported by other companies.

We define EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization. The most directly comparable U.S. GAAP financial measure is net income.

We believe that EBITDA is an important supplemental measure for investors in evaluating operating performance in that it provides insight into company profitability and cash flow. Libbey's senior management uses this measure internally to measure profitability and to set performance targets for managers. It also has been used regularly as one of the means of publicly providing guidance on possible future results. EBITDA also allows for a measure of comparability to other companies with different capital and legal structures, which accordingly may be subject to different interest rates and effective tax rates, and to companies that may incur different depreciation and amortization expenses or impairment charges.

The non-GAAP measure of EBITDA does have certain limitations. It does not include interest expense, which is a necessary and ongoing part of our cost structure resulting from debt incurred to expand operations. EBITDA also excludes depreciation and amortization expenses. Because these are material and recurring items, any measure that excludes them has a material limitation. EBITDA may not be comparable to similarly titled measures reported by other companies.

Table 2

Reconciliation of net cash provided by (used in) operating activities to free cash flow	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2009	2008	2009	2008
Net cash provided by (used in) operating activities	$26,639	$ 13,309	$ 65,729	$ (9,750)
Capital expenditures	(2,737)	(12,390)	(12,287)	(30,002)
Proceeds from asset sales and other	172	71	260	117
Free cash flow	$24,074	$ 990	$ 53,702	$(39,635)

We define free cash flow as net cash provided by (used in) operating activities less capital expenditures adjusted for proceeds from asset sales and other. The most directly comparable U.S. GAAP financial measure is net cash provided by (used in) operating activities.

We believe that free cash flow is important supplemental information for investors in evaluating cash flow performance in that it provides insight into the cash flow available to fund such things as discretionary debt service, acquisitions and other strategic investment opportunities. It is a measure of performance we use to internally evaluate the overall performance of the business.

Free cash flow is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Free cash flow is neither intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities recorded under U.S. GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.

Table 3

Reconciliation of working capital	September 30,	December 31,
(Dollars in thousands)	2009	2008
Accounts receivable (net)	$ 91,119	$ 76,072
Plus: Inventories (net)	153,523	185,242
Less: Accounts payable	52,087	54,428
Working capital	$192,555	$206,886

We define working capital as net accounts receivable plus net inventories less accounts payable.

We believe that working capital is important supplemental information for investors in evaluating liquidity in that it provides insight into the availability of net current resources to fund our ongoing operations. Working capital is a measure used by management in internal evaluations of cash availability and operational performance.

Working capital is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Working capital is neither intended to represent nor be an alternative to any measure of liquidity and operational performance recorded under U.S. GAAP. Working capital may not be comparable to similarly titled measures reported by other companies.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Currency

We are exposed to market risks due to changes in currency values, although the majority of our revenues and expenses are denominated in U.S. dollars. The currency market risks include devaluations and other major currency fluctuations relative to the U.S. dollar, euro, RMB or Mexican peso that could reduce the cost competitiveness of our products compared to foreign competition.

Interest Rates

We are exposed to market risks associated with changes in interest rates on our floating debt and have entered into Interest Rate Protection Agreements (Rate Agreements) with respect to $200.0 million of debt as a means to manage our exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of our long-term borrowings from variable rate debt to fixed-rate debt, thus reducing the impact of interest rate changes on future income. We had $167.6 million of debt subject to fluctuating interest rates at September 30, 2009. A change of one percentage point in such rates would result in a change in interest expense of approximately $1.7 million on an annual basis. If the counterparties to these Rate Agreements were to fail to perform, we would no longer be protected from interest rate fluctuations by these Rate Agreements. However, we do not anticipate nonperformance by the counterparties. All interest rate swap counterparties were rated A+ or better as of September 30, 2009, by Standard and Poor's.

Natural Gas

We are also exposed to market risks associated with changes in the price of natural gas. We use commodity futures contracts related to forecasted future North American natural gas requirements of our manufacturing operations. The objective of these futures contracts is to limit the fluctuations in prices paid and potential losses in earnings or cash flows from adverse price movements in the underlying natural gas commodity. We consider the forecasted natural gas requirements of our manufacturing operations in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements up to eighteen months in the future. For our natural gas requirements that are not hedged, we are subject to changes in the price of natural gas, which affect our earnings. If the counterparties to these futures contracts were to fail to perform, we would no longer be protected from natural gas fluctuations by the futures contracts. However, we do not anticipate nonperformance by these counterparties. All counterparties were rated BBB+ or better by Standard and Poor's as of September 30, 2009.

Retirement Plans

We are exposed to market risks associated with changes in the various capital markets. Changes in long-term interest rates affect the discount rate that is used to measure our benefit obligations and related expense. Changes in the equity and debt securities markets affect the performance of our pension plans asset performance and related pension expense. Sensitivity to these key market risk factors is as follows:

- A change of 1 percent in the discount rate would change our total annual expense by approximately $1.9 million.
- A change of 1 percent in the expected long-term rate of return on plan assets would change annual pension expense by approximately $2.2 million.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the "Exchange Act") reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

This document and supporting schedules contain statements that are not historical facts and constitute projections, forecasts or forward-looking statements. These forward-looking statements reflect only our best assessment at this time, and may be identified by the use of words or phrases such as “anticipate,” “believe,” “expect,” “intend,” “may,” “planned,” “potential,” “should,” “will,” “would” or similar phrases. Such forward-looking statements involve risks and uncertainty; actual results may differ materially from such statements, and undue reliance should not be placed on such statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Item 1A. Risk Factors

The following factors are the most significant factors that can impact period-to-period comparisons and may affect the future performance of our businesses. New risks may emerge, and management cannot predict those risks or estimate the extent to which they may affect our financial performance.

- Our cost-reduction projects may not result in anticipated savings in operating costs.
- Slowdowns in the retail, travel, restaurant and bar, or entertainment industries, such as those caused by general economic downturns, terrorism, health concerns or strikes or bankruptcies within those industries, could reduce our revenues and production activity levels.
- If we have a fair value impairment in a business segment, net earnings and net worth could be materially adversely affected by a write down of goodwill or intangible assets.
- We face intense competition and competitive pressures that could adversely affect our results of operations and financial condition.
- International economic and political factors could affect demand for imports and exports, and our financial condition and results of operations could be adversely impacted as a result.
- We may not be able to effectively integrate future businesses we acquire.
- We may not be able to achieve the international growth contemplated by our strategic plan.
- Natural gas, the principal fuel we use to manufacture our products, is subject to fluctuating prices; fluctuations in natural gas prices could adversely affect our results of operations and financial condition.
- If we are unable to obtain sourced products or materials at favorable prices, our operating performance may be adversely affected.
- Charges related to our employee pension and postretirement welfare plans resulting from market risk and headcount realignment may adversely affect our results of operations and financial condition.
- Our business requires significant capital investment and maintenance expenditures that we may be unable to fulfill.
- Our business requires us to maintain a large fixed cost base that can affect our profitability.
- Unexpected equipment failures may lead to production curtailments or shutdowns.
- If our investments in new technology and other capital expenditures do not yield expected returns, our results of operations could be reduced.
- We rely on increasingly complex information systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately or if we experience an interruption in their operation, our business and results of operations could suffer.

- We may not be able to renegotiate collective bargaining agreements successfully when they expire; organized strikes or work stoppages by unionized employees may have an adverse effect on our operating performance.
- We are subject to risks associated with operating in foreign countries. These risks could adversely affect our results of operations and financial condition.
- High levels of inflation and high interest rates in Mexico could adversely affect the operating results and cash flows of Crisa.
- Fluctuation of the currencies in which we conduct operations could adversely affect our financial condition and results of operations.
- Fluctuations in the value of the foreign currencies in which we operate relative to the U.S. dollar could reduce the cost competitiveness of our products or those of our subsidiaries.
- Devaluation or depreciation of, or governmental conversion controls over, the foreign currencies in which we operate could affect our ability to convert the earnings of our foreign subsidiaries into U.S. dollars.
- If our hedges do not qualify as highly effective or if we do not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in our earnings.
- We are subject to various environmental legal requirements and may be subject to new legal requirements in the future; these requirements could have a material adverse effect on our operations.
- We received notice from the New York Stock Exchange (NYSE) that our stock was delisted before the start of trading on April 20, 2009. Our shares are now traded on the Over the Counter Bulletin Board (OTC BB). There can be no assurance that we may be able to regain our listing on the NYSE or any other exchange.
- Our failure to protect our intellectual property or prevail in any intellectual property litigation could materially and adversely affect our competitive position, reduce revenue or otherwise harm our business.
- Our business may suffer if we do not retain our senior management.
- Payment of severance or retirement benefits earlier than anticipated could strain our cash flow.
- We may face a risk when we return to the market to refinance our debt as a result of the June, 2009 downgrade of the Company’s debt by Moody’s Investor Service.
- Our facilities may be impacted by the outbreak of certain public health issues, including epidemics, pandemics and other contagious diseases such as the H1N1 influenza virus, commonly referred to as the “swine flu.” If a severe outbreak were to occur where we have facilities, it could adversely impact our results of operations and financial condition.
- Our RMB Working Capital Loan is scheduled to mature in March, 2010. If the China Construction Bank does not agree to extend or refinance the loan, or if the loan is called, our liquidity and financial condition may be adversely impacted.
- Our high level of debt, as well as incurrence of additional debt, may limit our operating flexibility, which could adversely affect our results of operations and financial condition and prevent us from fulfilling our obligations.

  We have a high degree of financial leverage. As of September 30, 2009, we had $526.7 million of debt outstanding, net of discounts and warrants. Of that amount:

  - approximately $0.0 million consisted of debt under our ABL Facility, which is secured by a first-priority lien on our assets;
  - approximately $306.0 million consisted of the Senior Secured Notes, which are secured by a second-priority lien on our collateral;
  - approximately $160.9 million consisted of the PIK Notes, which are secured by a third-priority lien on our collateral (see note 14 for a discussion of our October 28, 2009 announcement of a debt exchange with respect to the PIK Notes);

- RMB 250 million (approximately $36.7 million) consisted of a loan made by China Construction Bank Corporation Langfang Economic Development Area Sub-Branch ("CCBC"), the entire proceeds of which we used to finance the construction of our Greenfield manufacturing facility in China that began operations in early 2007;
- RMB 50 million (approximately $7.3 million) consisted of a loan, which is fully drawn, made by CCBC to finance the working capital needs of our China facility; and
- 11 million euro (approximately $16.1 million) consisted of a loan, which is fully drawn, made by Banco Espirito Santo, S.A. ("BES Euro Line") to finance operational improvements associated with our Portuguese operations.

Our ABL Facility provides for borrowings up to $150.0 million by Libbey Glass and Libbey Europe B.V. (a non-guarantor subsidiary). As a result of borrowing base limitations, the remaining unused availability under the ABL Facility at September 30, 2009 was $81.3 million.

Since we issued the PIK Notes in 2006, interest has been payable semi-annually through the issuance of additional PIK Notes. Commencing December 1, 2009, interest on the PIK Notes will be payable semi-annually in cash. Under the terms and conditions in place at September 30, 2009, the semi-annual cash interest payment that we were obligated to make on the PIK Notes on December 1, 2009 was approximately $12.9 million. Please see note 14 for a discussion of our October 28, 2009 announcement of a debt exchange with respect to the PIK Notes.

Our loan agreements, including our agreements governing the ABL Facility, the indenture governing the Senior Secured Notes and the indenture governing the PIK Notes, require us to comply with certain covenants. For example, our ABL Facility requires us to maintain a minimum fixed charge coverage ratio if the remaining unused availability under our ABL Facility is less than $15.0 million.

Although the respective indentures governing the Senior Secured Notes and the PIK Notes do not contain financial covenants, they do contain other covenants that limit our operational and financial flexibility, such as by limiting the additional indebtedness that we may incur, limiting certain business activities, investments and payments, and limiting our ability to dispose of certain assets.

Our agreements governing the ABL Facility, the Senior Secured Notes and the PIK Notes limit the additional indebtedness that we may incur, but we are permitted, subject to certain limitations, to incur additional debt in the future.

Our high degree of leverage, as well as the incurrence of additional debt, could have important consequences for our business, such as:

- making it more difficult for us to satisfy our financial obligations, including with respect to the Senior Secured Notes and the PIK Notes;
- limiting our ability to make capital investments in order to expand our business;
- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, debt service requirements, acquisitions or other purposes;
- limiting our ability to invest operating cash flow in our business and future business opportunities, because we use a substantial portion of these funds to service debt and because our covenants restrict the amount of our investments; and
- limiting our ability to withstand business and economic downturns and/or place us at a competitive disadvantage compared to our competitors that have less debt, because of the high percentage of our operating cash flow that is dedicated to servicing our debt.

Although we have taken a number of steps to enhance our liquidity to date in 2009 (including those announced in February 2009), if cash generated from operations is insufficient to satisfy our liquidity requirements, if we cannot service our debt or if we fail to meet our covenants, we could have substantial liquidity problems. In those circumstances, we might have to sell assets, delay planned investments, obtain additional equity capital or restructure our debt. Global financial markets and economic conditions have been, and continue to be volatile. The credit and capital markets remain challenging. These issues may make it difficult to obtain funding in future periods. If cash from operations and cash available from our ABL Facility are not sufficient to meet our needs, which would have included our obligation to pay the cash interest on the PIK Notes that was payable on December 1, 2009, (please see note 14 for a discussion of our October 28, 2009 announcement of a debt exchange with respect to the PIK Notes), we cannot provide assurance that we will be able to obtain additional financing in sufficient amounts and/or on acceptable terms in the future or when our ABL Facility matures in December 2010.

In addition, our failure to comply with the covenants contained in our loan agreements could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness.

For further information concerning our borrowings, see "Management's Discussion and Analysis; Capital Resources and Liquidity — Borrowings" and Note 4 to our Consolidated Financial Statements.

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

Issuers Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 to July 31, 2009	—	—	—	1,000,000
August 1 to August 31, 2009	—	—	—	1,000,000
September 1 to September 30, 2009	—	—	—	1,000,000
Total	—	—	—	1,000,000

(1) We announced on December 10, 2002, that our Board of Directors authorized the purchase of up to 2,500,000 shares of our common stock in the open market and negotiated purchases. There is no expiration date for this plan. In 2003, 1,500,000 shares of our common stock were purchased for $38.9 million. No additional shares were purchased in 2008, 2007, 2006, 2005 or 2004. Our ABL Facility and the indentures governing the Senior Secured Notes and the PIK Notes significantly restrict our ability to repurchase additional shares.

Item 5. Other Information

(b) There has been no material change to the procedures by which security holders may recommend nominees to the Company’s board of directors.

Item 6. Exhibits

Exhibits: The exhibits listed in the accompanying "Exhibit Index" are filed as part of this report.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Libbey Inc. (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
3.2	Amended and Restated By-Laws of Libbey Inc. (filed as Exhibit 3.01 to Registrant's Form 8-K filed February 7, 2005 and incorporated herein by reference).
4.1	Credit Agreement, dated June 16, 2006, among Libbey Glass Inc. and Libbey Europe B.V., Libbey Inc., the other loan parties party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, LaSalle Bank Midwest National Association, Wells Fargo Foothill, LLC, Fifth Third Bank, and J.P. Morgan Securities Inc., as Sole Bookrunner and Sole Lead Arranger. (filed as Exhibit 4.1 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference. The schedules to such Credit Agreement were filed as Exhibit 4.1 to Registrant's Form 10-Q filed August 7, 2009 and incorporated herein by reference. The Exhibits to such Credit Agreement are filed herein.)
4.2	Indenture, dated June 16, 2006, among Libbey Glass Inc., Libbey Inc., the Subsidiary Guarantors party thereto and The Bank of New York Trust Company, N.A., as trustee. (filed as Exhibit 4.5 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference).
4.3	Form of Floating Rate Senior Secured Note due 2011. (filed as Exhibit 4.4 to Libbey Glass Inc.'s Registration Statement on Form S-4; File No. 333-139358).
4.4	Registration Rights Agreement, dated June 16, 2006, among Libbey Glass Inc., Libbey Inc., the Subsidiary Guarantors party thereto and the Initial Purchasers named therein. (filed as Exhibit 4.4 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference).
4.5	Amended and Restated Indenture, dated October 28, 2009, among Libbey Glass Inc., Libbey Inc., the Subsidiary Guarantors party thereto and Merrill Lynch PCG, Inc. (filed as Exhibit 4.1 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.6	Form of 16% Senior Subordinated Secured Note due 2021. (filed as Exhibit 4.5 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.7	Warrant, issued June 16, 2006. (filed as Exhibit 4.7 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference).
4.8	Amended and Restated Registration Rights Agreement, dated October 28, 2009, among Libbey Inc. and Merrill Lynch PCG, Inc. (filed as Exhibit 4.4 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.9	Intercreditor Agreement, dated June 16, 2006, among Libbey Glass Inc., JPMorgan Chase Bank, N.A., The Bank of New York Trust Company, N.A., Merrill Lynch PCG, Inc. and the Loan Parties party thereto. (filed as Exhibit 4.9 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference).
4.10	Amendment and Waiver, dated November 7, 2008, among Libbey Glass Inc. and Libbey Europe B.V., Libbey Inc., the other loan parties thereto, JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, Bank of America, N.A. (f/k/a LaSalle Bank Midwest National Association), Wells Fargo Foothill, LLC, Fifth Third Bank, and J.P. Morgan Securities Inc., as Sole Bookrunner and Sole Lead Arranger (filed as Exhibit 4.10 to Libbey Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
4.11	Series I Warrant, issued October 28, 2009 (filed as Exhibit 4.3 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.12	Reaffirmation Agreement, dated October 28, 2009 (filed as Exhibit 4.2 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.12	Amendment and Waiver No. 2, dated October 27, 2009, among Libbey Glass Inc. and Libbey Europe B.V., J.P. Morgan Chase Bank, N.A., J.P. Morgan Europe Limited, Wells Fargo Foothill, LLC, Fifth Third Bank, Bank of America, N.A. and GE Business Financial Services, Inc. (filed as Exhibit 10.2 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).

10.1	Pension and Savings Plan Agreement dated as of June 17, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.4 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
10.2	Cross-Indemnity Agreement dated as of June 24, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.5 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
10.3	The Amended and Restated Libbey Inc. Stock Option Plan for Key Employees (filed as Exhibit 10.14 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 and incorporated herein by reference).
10.4	Libbey Inc. Guarantee dated as of October 10, 1995 in favor of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada Ltd. guaranteeing certain obligations of LG Acquisition Corp. and Libbey Canada Inc. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain contingencies occur (filed as Exhibit 10.17 to Libbey Inc.'s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
10.5	Susquehanna Pfaltzgraff Co. Guarantee dated as of October 10, 1995 in favor of LG Acquisition Corp. and Libbey Canada Inc. guaranteeing certain obligations of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada, Ltd. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain

Exhibit Number	Description
	contingencies occur (filed as Exhibit 10.18 to Libbey Inc.'s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
10.6	First Amended and Restated Libbey Inc. Executive Savings Plan (filed as Exhibit 10.23 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
10.7	Form of Non-Qualified Stock Option Agreement between Libbey Inc. and certain key employees participating in The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.69 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
10.8	The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.67 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
10.9	Stock Promissory Sale and Purchase Agreement between VAA — Vista Alegre Atlantis SGPS, SA and Libbey Europe B.V. dated January 10, 2005 (filed as Exhibit 10.76 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
10.10	RMB Loan Contract between Libbey Glassware (China) Company Limited and China Construction Bank Corporation Langfang Economic Development Area Sub-branch entered into January 23, 2006 (filed as exhibit 10.75 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
10.11	Guarantee Contract executed by Libbey Inc. for the benefit of China Construction Bank Corporation Langfang Economic Development Area Sub-branch (filed as exhibit 10.76 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
10.12	Guaranty, dated May 31, 2006, executed by Libbey Inc. in favor of Fondo Stiva S.A. de C.V. (filed as exhibit 10.2 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference).
10.13	Guaranty Agreement, dated June 16, 2006, executed by Libbey Inc. in favor of Vitro, S.A. de C.V. (filed as exhibit 10.3 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference).
10.14	Transition Services Agreement, dated June 16, 2006, among Crisa Libbey S.A. de C.V., Vitrocrisa Holding, S. de R.L. de C.V., Vitrocrisa S. de R.L. de C.V., Vitrocrisa Comercial, S. de R.L. de C.V., Crisa Industrial, L.L.C. and Vitro S.A. de C.V. (filed as exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed June 21, 2006 and incorporated herein by reference).
10.15	2006 Omnibus Incentive Plan of Libbey Inc. (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference).
10.16	Libbey Inc. Amended and Restated Deferred Compensation Plan for Outside Directors (incorporated by reference to Exhibit 10.61 to Libbey Glass Inc.'s Registration Statement on Form S-4; File No. 333-139358).
10.17	Form of Registered Global Floating Rate Senior Secured Note, Series B, due 2011 (filed as exhibit 10.55 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference).
10.18	2009 Director Deferred Compensation Plan (filed as Exhibit 10.51 to Libbey Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.19	Executive Deferred Compensation Plan (filed as Exhibit 10.52 to Libbey Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.20	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and John F. Meier (filed as exhibit 10.29 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.21	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and Richard I. Reynolds (filed as exhibit 10.30 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.22	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and Gregory T. Geswein (filed as exhibit 10.31 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.23	Form of Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and the

respective executive officers identified on Appendix 1 thereto (filed as exhibit 10.32 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).

10.24	Amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and John F. Meier (filed as exhibit 10.33 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.25	Form of amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and the respective executive officers identified on Appendix 1 thereto (filed as exhibit 10.34 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.26	Form of amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and the

Exhibit Number	Description
	respective individuals identified on Appendix 1 thereto (filed as exhibit 10.35 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.27	Form of Amended and Restated Indemnity Agreement dated as of December 31, 2008 between Libbey Inc. and the respective officers identified on Appendix 1 thereto (filed as exhibit 10.36 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.28	Form of Amended and Restated Indemnity Agreement dated as of December 31, 2008 between Libbey Inc. and the respective outside directors identified on Appendix 1 thereto (filed as exhibit 10.37 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.29	Amended and Restated Libbey Inc. Supplemental Retirement Benefit Plan effective December 31, 2008 (filed as exhibit 10.38 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.30	Amendment to the First Amended and Restated Libbey Inc. Executive Savings Plan effective December 31, 2008 (filed as exhibit 10.39 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.31	Debt Exchange Agreement, dated October 28, 2009, among Libbey Inc., Libbey Glass Inc. and Merrill Lynch PCG, Inc. (filed as Exhibit 10.1 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
32.1	Chief Executive Officer Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (filed herein).
32.2	Chief Financial Officer Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (filed herein).

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.

LIBBEY INC.

Date: November 9, 2009

By /s/ Gregory T. Geswein
Gregory T. Geswein,
Vice President, Chief Financial Officer

Exhibit 4.1

EXHIBIT A

FORM OF
ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the " Assignment and Assumption ") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the " Assignor ") and [*Insert name of Assignee*] (the " Assignee "). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the " Assigned Interest "). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: ______________________________

2. Assignee: ______________________________
[and is an Affiliate/Approved Fund of [*identify Lender*]]

3. Borrowers: ______________________________

4. Administrative Agent: ____________________, as the administrative agent under the Credit Agreement

5. Credit Agreement: [The [*amount*] Credit Agreement dated as of ___ among [*name of Borrowers*], the Lenders parties thereto, [*name of Administrative Agent*], as Administrative Agent, and the other agents parties thereto]

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans
	$	$	%
	$	$	%
	$	$	%

Effective Date: ____________, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates on or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Company, the Loan Parties and their Affiliates or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including Federal and state securities laws.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ______________________________
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: ______________________________
Title:

Consented to and Accepted:

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

By ____________________________________
Title:

Consented to:

LIBBEY GLASS, INC., as
Borrower Representative

By ____________________________________
Title:

[ISSUING BANK]

By ____________________________________
Title:

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties .

1.1 Assignor . The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of any Borrower, any of their Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by any Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee . The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments . From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions . This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B

[RESERVED]

EXHIBIT C

FORM OF
US BORROWING BASE CERTIFICATE

BORROWING BASE REPORT

Rpt #
Obligor Number: Date:
Loan Number: Period Covered: ________to ________

COLLATERAL CATEGORY	A/R	Inventory	TOTAL
Description			
1 Beginning Balance (Previous report — Line 8)			
2 Additions to Collateral (Gross Sales or Purchases)			
3 Other Additions (Add back any non-A/R cash in line 3			
4 Deductions to Collateral (Cash Received)			
5 Deductions to Collateral (Discounts, other)			
6 Deductions to Collateral (Credit Memos, all)			
7 Other **non-cash** credits to A/R			
8 **Total Ending Collateral Balance**			
9 Less Ineligible — Past Due			
10 Less Ineligible — Cross-age (___%)			
11 Less Ineligible — Foreign			
12 Less Ineligible — Contra			
13 Less Ineligible — Other (attached schedule)			
14 **Total Ineligibles — Accounts Receivable**			
15 Less Ineligible — Inventory Slow-moving			
16 Less Ineligible — Inventory Offsite not covered			
17 Less Ineligible — Inventory WIP			
18 Less Ineligible — Consigned			
19 Less Ineligible — Other (attached schedule)			
20 **Total Ineligibles Inventory**			
21 **Total Eligible Collateral**			
22 Advance Rate Percentage			
23 **Net Available — Borrowing Base Value**			
24 Reserves			
25 **Total Borrowing Base Value**			
26 **CAPS/Loan Limits**			**Total CAPS/Loan Line**
27 **Maximum Borrowing Limit (Lesser of 25. or 26.)***			**Total Available**

LOAN STATUS	
28 Previous Loan Balance (Previous Report Line 31)	
29 Less: A. Net Collections (Same as line 4)	
B. Adjustments/Other ___________	
30 Add: A. Request for Funds	
B. Adjustments/Other ___________	
31 New Loan Balance	
32 Letter of Credit/BA's outstanding	
33 **Availability Not Borrowed (Lines 27 less 31 & 32)**	
34 **OVERALL EXPOSURE (line 31)**	

Pursuant to, and in accordance with, the terms and provisions of that certain Credit Agreement ("Agreement"), among JPMorgan Chase Bank, N.A., as administrative agent for the Lenders, the Loan Parties and ___________("Borrowers"), ___________is executing and delivering to Administrative Agent this Collateral Report accompanied by supporting data (collectively referred to as the "Report"). ___________represents and warrants to Administrative Agent that this Report is true and correct, and is based on information contained in its own financial accounting records. ___________, by the execution of this Report, hereby ratifies, confirms and affirms all of the terms, conditions and provisions of the Agreement, and further certifies on this ___________day of ___________, 20___, that it is in compliance with said Agreement.

BORROWER'S NAME: AUTHORIZED SIGNATURE:

EXHIBIT D

FORM OF
NETHERLANDS BORROWING BASE CERTIFICATE

BORROWING BASE REPORT

Rpt #
Obligor Number: Date:
Loan Number: Period Covered: ________to ________

COLLATERAL CATEGORY	A/R	Inventory	TOTAL
Description			
1 Beginning Balance (Previous report — Line 8)			
2 Additions to Collateral (Gross Sales or Purchases)			
3 Other Additions (Add back any non-A/R cash in line 3			
4 Deductions to Collateral (Cash Received)			
5 Deductions to Collateral (Discounts, other)			
6 Deductions to Collateral (Credit Memos, all)			
7 Other **non-cash** credits to A/R			
8 **Total Ending Collateral Balance**			
9 Less Ineligible — Past Due			
10 Less Ineligible — Cross-age (___%)			
11 Less Ineligible — Foreign			
12 Less Ineligible — Contra			
13 Less Ineligible — Other (attached schedule)			
14 **Total Ineligibles — Accounts Receivable**			
15 Less Ineligible — Inventory Slow-moving			
16 Less Ineligible — Inventory Offsite not covered			
17 Less Ineligible — Inventory WIP			
18 Less Ineligible — Consigned			
19 Less Ineligible — Other (attached schedule)			
20 **Total Ineligibles Inventory**			
21 **Total Eligible Collateral**			
22 Advance Rate Percentage			
23 **Net Available — Borrowing Base Value**			
24 Reserves			
25 **Total Borrowing Base Value**			
26 **CAPS/Loan Limits**			**Total CAPS/Loan Line**
27 **Maximum Borrowing Limit (Lesser of 25. or 26.)***			**Total Available**

LOAN STATUS	
28 Previous Loan Balance (Previous Report Line 31)	
29 Less: A. Net Collections (Same as line 4)	
B. Adjustments/Other __________	
30 Add: A. Request for Funds	
B. Adjustments/Other __________	
31 New Loan Balance	
32 Letter of Credit/BA's outstanding	
33 **Availability Not Borrowed (Lines 27 less 31 & 32)**	
34 **OVERALL EXPOSURE (lines31)**	

Pursuant to, and in accordance with, the terms and provisions of that certain Credit Agreement ("Agreement"), among JPMorgan Chase Bank, N.A., as administrative agent for the Lenders, the Loan Parties and __________("Borrowers"), __________is executing and delivering to Administrative Agent this Collateral Report accompanied by supporting data (collectively referred to as the "Report"). __________represents and warrants to Administrative Agent that this Report is true and correct, and is based on information contained in its own financial accounting records. __________, by the execution of this Report, hereby ratifies, confirms and affirms all of the terms, conditions and provisions of the Agreement, and further certifies on this __________day of __________, 20___, that it is in compliance with said Agreement.

BORROWER'S NAME: AUTHORIZED SIGNATURE:

EXHIBIT E

FORM OF
INCREASING LENDER SUPPLEMENT

INCREASING LENDER SUPPLEMENT, dated ___________(this *"Supplement"*), to the Credit Agreement dated as of ___ ___, 2006 (as amended, supplemented or otherwise modified from time to time, the *"Credit Agreement"*), among LIBBEY GLASS, INC. and LIBBEY EUROPE, B.V. (the *"Borrowers"*), LIBBEY INC., as a Loan Guarantor, the other Loan Parties, thereto, the lenders party thereto (the *"Lenders"*) and JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders (in such capacity, the *"Administrative Agent"*).

WITNESSETH:

WHEREAS, pursuant to Section 2.01(c) of the Credit Agreement, the Borrowers have the right, subject to the terms and conditions thereof, to effectuate from time to time an increase in the aggregate Commitments under the Credit Agreement by requesting any Lender to increase the amount of its Commitment;

WHEREAS, the Borrower has given notice to the Administrative Agent of its intention to increase the aggregate Commitments pursuant to such Section 2.01(c); and

WHEREAS, pursuant to Section 2.01(c) of the Credit Agreement, the undersigned Increasing Lender now desires to increase the amount of its Commitment under the Credit Agreement by executing and delivering to the Borrowers and the Administrative Agent this Supplement;

NOW THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned Increasing Lender agrees, subject to the terms and conditions of the Credit Agreement, that on the date of this Supplement it shall have its Commitment increased by $ ___________, thereby making the aggregate amount of its total Commitment equal to $ ___________.

2. The Borrower hereby represents and warrants that on and as of the date hereof (a) the conditions set forth in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement are satisfied and (b) no Default or Event of Default has occurred and is continuing.

3. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

4. The undersigned Increasing Lender may not assign any of its rights and obligations under this Supplement except in accordance with the provisions of Section 9.04(b) of the Credit Agreement.

5. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

6. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF INCREASING LENDER]

By: ______________________________
Name:
Title:

Accepted and agreed to as of the date first written above:

[BORROWER]

By: ______________________________
Name:
Title:

Acknowledged as of the date first written above:

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

By: ______________________________
Name:
Title:

EXHIBIT F

FORM OF
NEW LENDER SUPPLEMENT

NEW LENDER SUPPLEMENT, dated ___________(this *"Supplement"*), to the Credit Agreement dated as of ___ ___, 2006 (as amended, supplemented or otherwise modified from time to time, the *"Credit Agreement"*), among LIBBEY GLASS, INC. and LIBBEY EUROPE, B.V. (the *"Borrowers"*), LIBBEY INC., as a Loan Guarantor, the other Loan Parties, thereto, the lenders party thereto (the *"Lenders"*) and JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders (in such capacity, the *"Administrative Agent"*).

WITNESSETH:

WHEREAS, the Credit Agreement provides in Section 2.01(c)(B) thereof that any bank, financial institution or other entity may extend Commitments under the Credit Agreement subject to the approval of the Borrower and the Administrative Agent, by executing and delivering to the Borrower and the Administrative Agent a supplement to the Credit Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned New Lender was not an original party to the Credit Agreement but now desires to become a party thereto;

NOW, THEREFORE, each of the parties hereto hereby agrees as follows:

1. The undersigned New Lender agrees to be bound by the provisions of the Credit Agreement and agrees that it shall, on the date of this Supplement, become a Lender for all purposes of the Credit Agreement to the same extent as if originally a party thereto, with a Commitment of $ ___________.

2. The undersigned New Lender (a) represents and warrants that it is legally authorized to enter into this Supplement; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered or made available pursuant to Section 5.01 thereof, as applicable, and has reviewed such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (c) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and any other Loan Document to which it is a party and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement or any other Loan Document are required to be performed by it as a Lender.

3. The undersigned's address for notices for the purposes of the Credit Agreement is as follows:

[FILL IN ADDRESS]

4. The Borrower hereby represents and warrants that on and as of the date hereof (a) the conditions set forth in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement are satisfied and (b) no Default or Event of Default has occurred and is continuing.

5. Terms defined in the Credit Agreement shall have their defined meanings when used herein.

6. The undersigned New Lender may not assign any of its rights and obligations under this Supplement except in accordance with the provisions of Section 9.04(b) of the Credit Agreement.

7. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Supplement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

[INSERT NAME OF NEW LENDER]

By: ______________________________
Name:
Title:

Accepted and agreed to as of the date first written above:

[BORROWER]

By: ______________________________
Name:
Title:

Acknowledged as of the date first written above:

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

By: ______________________________
Name:
Title:

EXHIBIT G

COMPLIANCE CERTIFICATE

To: The Lenders parties to the
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Credit Agreement dated as of ___, 2006 (as amended, modified, renewed or extended from time to time, the “Agreement”) among LIBBEY GLASS, INC. and LIBBEY EUROPE, B.V. (the “Borrowers”), LIBBEY INC., as a Loan Guarantor (“Holdings”), the other Loan Parties, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders and as the Issuing Bank. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES, ON ITS BEHALF AND ON BEHALF OF THE BORROWERS, THAT:

1. I am the duly elected ___________of the Borrower Representative;

[2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Holdings and its consolidated Subsidiaries during the accounting period covered by the attached financial statements and such quarterly financial statements present fairly in all material respects the financial condition and results of operations of Holdings and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; **] [** To be included only in the case of quarterly financial statements **]**

3. Except as set forth below, I have no knowledge of (i) the existence of any condition or event which constitutes a Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate or (ii) any change in GAAP or in the application thereof that has occurred since the date of the audited financial statements referred to in Section 3.04 of the Agreement that would affect the financial statements accompanying this Compliance Certificate;

4. I hereby certify that no Loan Party has changed (i) its name, (ii) its chief executive office, (iii) principal place of business, (iv) the type of entity it is or (v) its state of incorporation or organization without having given the Agent the notice required by Section 4.15 of the U.S. Security Agreement and [applicable Section of applicable Netherlands Security Agreement]; and

[5. Schedule I attached hereto sets forth financial data and computations evidencing the Borrowers’ compliance with certain covenants contained in Section 6.15 of the Agreement, all of which data and computations are true, complete and correct.][To be included only if a Restriction Period is in effect]

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the (i) nature of the condition or event, the period during which it has existed and the action which the Borrowers have taken, are taking, or propose to take with respect to each such condition or event or (i) the change in GAAP or the application thereof and the effect of such change on the attached financial statements:

____

____

____

The foregoing certifications **[** together with the computations set forth in Schedule I **]** and the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this ___ day of __________, ___.

____________________, as
Borrower Representative

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT H

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this " Agreement "), dated as of __________, ___, 200_, is entered into between __________ __________, a __________(the " New Subsidiary ") and JPMORGAN CHASE BANK, N.A., in its capacity as administrative agent (the " Administrative Agent ") under that certain Credit Agreement, dated as of ___, 2006, among LIBBEY GLASS, INC. and LIBBEY EUROPE, B.V., (the " Borrowers "), LIBBEY INC., as a Loan Guarantor, the Loan Parties party thereto, the Lenders party thereto and the Administrative Agent (as the same may be amended, modified, extended or restated from time to time, the " Credit Agreement "). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement.

The New Subsidiary and the Administrative Agent, for the benefit of the Lenders, hereby agree as follows:

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a Loan Party under the Credit Agreement and a "Loan Guarantor" for all purposes of the Credit Agreement and shall have all of the obligations of a Loan Party and a Loan Guarantor thereunder as if it had executed the Credit Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement, including without limitation (a) all of the representations and warranties of the Loan Parties set forth in Article III of the Credit Agreement, (b) all of the covenants set forth in Articles V and VI of the Credit Agreement and (c) all of the guaranty obligations set forth in Article X of the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the New Subsidiary, subject to the limitations set forth in Section 10.10 of the Credit Agreement, hereby guarantees, jointly and severally with the other Loan Guarantors, to the Administrative Agent and the Lenders, as provided in Article X of the Credit Agreement, the prompt payment and performance of the Secured Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof and agrees that if any of the Secured Obligations are not paid or performed in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise), the New Subsidiary will, jointly and severally together with the other Loan Guarantors, promptly pay and perform the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Secured Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

2. If required, the New Subsidiary is, simultaneously with the execution of this Agreement, executing and delivering such Collateral Documents (and such other documents and instruments) as requested by the Administrative Agent in accordance with the Credit Agreement.

3. The address of the New Subsidiary for purposes of Section 9.01 of the Credit Agreement is as follows:

____

____

____

____

4. The New Subsidiary hereby waives acceptance by the Administrative Agent and the Lenders of the guaranty by the New Subsidiary upon the execution of this Agreement by the New Subsidiary.

5. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

6. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the New Subsidiary has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[NEW SUBSIDIARY]

By: ____________________
Name: ____________________
Title: ____________________

Acknowledged and accepted:

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

By: ____________________
Name: ____________________
Title: ____________________

EXHIBIT I

FORM OF
AGGREGATE BORROWING BASE CERTIFICATE

AGGREGATE BORROWING BASE REPORT

Rpt #
Obligor Number:
Date:
Loan Number:
Period Covered: ___________to __________

COLLATERAL CATEGORY	A/R	Inventory	TOTAL
Description			
1 Beginning Balance (Previous report — Line 8)			
2 Additions to Collateral (Gross Sales or Purchases)			
3 Other Additions (Add back any non-A/R cash in line 3			
4 Deductions to Collateral (Cash Received)			
5 Deductions to Collateral (Discounts, other)			
6 Deductions to Collateral (Credit Memos, all)			
7 Other **non-cash** credits to A/R			
8 **Total Ending Collateral Balance**			
9 Less Ineligible — Past Due			
10 Less Ineligible — Cross-age (___%)			
11 Less Ineligible — Foreign			
12 Less Ineligible – Contra			
13 Less Ineligible — Other (attached schedule)			
14 **Total Ineligibles — Accounts Receivable**			
15 Less Ineligible — Inventory Slow-moving			
16 Less Ineligible — Inventory Offsite not covered			
17 Less Ineligible — Inventory WIP			
18 Less Ineligible — Consigned			
19 Less Ineligible — Other (attached schedule)			
20 **Total Ineligibles Inventory**			
21 **Total Eligible Collateral**			
22 Advance Rate Percentage			
23 **Net Available — Borrowing Base Value**			
24 Reserves			
25 **Total Borrowing Base Value**			
26 **CAPS/Loan Limits**			**Total CAPS/Loan Line**
27 **Maximum Borrowing Limit (Lesser of 25. or 26.)***			**Total Available**

LOAN STATUS	
28 Previous Loan Balance (Previous Report Line 31)	
29 Less: A. Net Collections (Same as line 4)	
B. Adjustments/Other ___________	
30 Add: A. Request for Funds	
B. Adjustments/Other ___________	
31 New Loan Balance	
32 Letter of Credit/BA's outstanding	
33 **Availability Not Borrowed (Lines 27 less 31 & 32)**	
34 **OVERALL EXPOSURE (lines31**	

Pursuant to, and in accordance with, the terms and provisions of that certain Credit Agreement ("Agreement"), among JPMorgan Chase Bank, N.A., as administrative agent for the Lenders, the Loan Parties and ___________("Borrowers"), Borrower Representative, on behalf of the Borrowers, is executing and delivering to Administrative Agent this Collateral Report accompanied by supporting data (collectively referred to as the "Report"). Borrower Representative, on behalf of the Borrower, represents and warrants to Administrative Agent that this Report is true and correct, and is based on information contained in the Borrowers' own financial accounting records. Borrower Representative, by the execution of this Report, hereby ratifies, confirms and affirms all of the terms, conditions and provisions of the Agreement, and further certifies on this ___________day of ___________, 20___, that the Borrowers are in compliance with said Agreement.

BORROWER REPRESENTATIVE'S NAME: AUTHORIZED SIGNATURE:

EXHIBIT J

After recording please return to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Chris Garcia

[To be conformed to state specific requirements for each state in which to be filed]

MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS,
AND FIXTURE FILING

made by

______________________,

Mortgagor,

to

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, Mortgagee

Dated as of _______________, 2006

THIS INSTRUMENT IS TO BE INDEXED AS BOTH A MORTGAGE
AND A FIXTURE FILING FILED AS A FINANCING STATEMENT

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MORTGAGE, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FILING

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FILING, dated as of ___________ ___, 200___ is made by ___________ a Delaware corporation (" Mortgagor "), whose address is c/o Libbey Glass, Inc., 300 Madison Avenue, Toledo, Ohio 43604, to JPMORGAN CHASE BANK, N.A., as Administrative Agent (in such capacity, " Mortgagee ") whose address is . References to this " Mortgage " shall mean this instrument and any and all renewals, modifications, amendments, supplements, extensions, consolidations, substitutions, spreaders and replacements of this instrument.

Background

Libbey Glass Inc. and Libbey Europe B.V., as Borrowers, Libbey Inc., as a Loan Guarantor, the other Loan Parties party thereto, the several banks and other financial institutions or entities from time to time parties thereto (the " Lenders "), J.P. Morgan Securities Inc., as sole bookrunner and sole lead arranger, and Mortgagee, are parties to that certain Credit Agreement, dated as of May ___, 2006 (as amended, supplemented or otherwise modified from time to time, the " Credit Agreement ").

Pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrowers upon the terms and subject to the conditions set forth therein.

The Borrowers are members of an affiliated group of companies that includes Mortgagor.

The proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrowers to make valuable transfers to Mortgagor in connection with the operation of its business.

Certain of the Lenders or Affiliates thereof may enter into Swap Agreements with the Borrowers.

The Borrowers and Mortgagor are engaged in related businesses, and Mortgagor will derive substantial direct and indirect benefit from the extensions of credit under the Credit Agreement and from the Swap Agreements.

Mortgagor is the owner of the fee simple estate in the parcel(s) of real property described on Schedule A attached hereto (the " Land "), and Mortgagor owns all of the buildings, improvements, structures, and fixtures now or subsequently located on the Land (the " Improvements "; the Land and the Improvements being collectively referred to as the " Real Estate ").

It is a requirement of the Credit Agreement and the obligation of the Lenders to make their respective extensions of credit to the Borrowers under the Credit Agreement that Mortgagor shall have executed and delivered this Mortgage to Mortgagee for the ratable benefit of the Secured Parties.

Granting Clauses

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor agrees that to secure the prompt and complete payment and performance of the Secured Obligations of Mortgagor (collectively, the " Obligations ");

MORTGAGOR HEREBY GRANTS TO MORTGAGEE A LIEN UPON AND A SECURITY INTEREST IN, AND HEREBY MORTGAGES AND WARRANTS, GRANTS, ASSIGNS, TRANSFERS AND SETS OVER TO MORTGAGEE, WITH MORTGAGE COVENANTS:

the Land;

all right, title and interest Mortgagor now has or may hereafter acquire in and to the Improvements or any part thereof, and all the estate, right, title, claim or demand whatsoever of Mortgagor, in possession or expectancy, in and to the Real Estate or any part thereof;

all right, title and interest of Mortgagor in, to and under all easements, rights of way, licenses, operating agreements, abutting strips and gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water and flowage rights, development rights, air rights, mineral and soil rights, plants, standing and fallen timber, and all estates, rights, titles, interests, privileges, licenses, tenements, hereditaments and appurtenances belonging, relating or appertaining to the Real Estate, and any reversions, remainders, rents, issues, profits and revenue thereof and all land lying in the bed of any street, road or avenue, in front of or adjoining the Real Estate to the center line thereof;

all of the fixtures, chattels, business machines, machinery, apparatus, equipment, furnishings, fittings, appliances and articles of personal property of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof (together with, in each case, attachments, components, parts and accessories) currently owned or subsequently acquired by Mortgagor and now or subsequently attached to, or contained in or used or usable in any way in connection with any operation or letting of the Real Estate, including but without limiting the generality of the foregoing, all screens, awnings, shades, blinds, curtains, draperies, artwork, carpets, rugs, storm doors and windows, furniture and furnishings, heating, electrical, and mechanical equipment, lighting, switchboards, plumbing, ventilating, air conditioning and air-cooling apparatus, refrigerating, and incinerating equipment, escalators, elevators, loading and unloading equipment and systems, stoves, ranges, laundry equipment, cleaning systems (including window cleaning apparatus), telephones, communication systems (including satellite dishes and antennae), televisions, computers, sprinkler systems and other fire prevention and extinguishing apparatus and materials, security systems, motors, engines, machinery, pipes, pumps, tanks, conduits, appliances, fittings and fixtures of every kind and description (all of the foregoing in this paragraph (d) being referred to as the " Equipment ");

all right, title and interest of Mortgagor in and to all substitutes and replacements of, and all additions and improvements to, the Real Estate and the Equipment, subsequently acquired by or released to Mortgagor or constructed, assembled or placed by Mortgagor on the Real Estate, immediately upon such acquisition, release, construction, assembling or placement, including, without limitation, any and all building materials whether stored at the Real Estate or offsite, and, in each such case, without any further deed, conveyance, assignment or other act by Mortgagor;

all right, title and interest of Mortgagor in, to and under all leases, subleases, underlettings, concession agreements, management agreements, licenses and other agreements relating to the use or occupancy of the Real Estate or the Equipment or any part thereof, now existing or subsequently entered into by Mortgagor and whether written or oral and all guarantees of any of the foregoing (collectively, as any of the foregoing may be amended, restated, extended, renewed or modified from time to time, the " Leases "), and all rights of Mortgagor in respect of cash and securities deposited thereunder and the right to receive and collect the revenues, income, rents, issues and profits thereof, together with all other rents, royalties, issues, profits, revenue, income and other benefits arising from the use and enjoyment of the Mortgaged Property (as defined below) (collectively, the “ Rents ”);

all unearned premiums under insurance policies now or subsequently obtained by Mortgagor relating to the Real Estate or Equipment and Mortgagor’s interest in and to all proceeds of any such insurance policies (including title insurance policies) including the right to collect and receive such proceeds, subject to the provisions relating to insurance generally set forth below; and all awards and other compensation, including the interest payable thereon and the right to collect and receive the same, made to the present or any subsequent owner of the Real Estate or Equipment for the taking by eminent domain, condemnation or otherwise, of all or any part of the Real Estate or any easement or other right therein;

to the extent not prohibited under the applicable contract, consent, license or other item unless the appropriate consent has been obtained, all right, title and interest of Mortgagor in and to (i) all contracts from time to time executed by Mortgagor or any manager or agent on its behalf relating to the ownership, construction, maintenance, repair, operation, occupancy, sale or financing of the Real Estate or Equipment or any part thereof and all agreements and options relating to the purchase or lease of any portion of the Real Estate or any property which is adjacent or peripheral to the Real Estate, together with the right to exercise such options and all leases of Equipment, (ii) all consents, licenses, building permits, certificates of occupancy and other governmental approvals relating to construction, completion, occupancy, use or operation of the Real Estate or any part thereof, and (iii) all drawings, plans, specifications and similar or related items relating to the Real Estate; and

all proceeds, both cash and noncash, of the foregoing;

; provided, however, that any Excluded Collateral (as defined in the U.S. Security Agreement) shall be excluded from the lien and security interest of this Mortgage.

(All of the foregoing property and rights and interests now owned or held or subsequently acquired by Mortgagor and described in the foregoing clauses (a) through (c) are collectively referred to as the “ Premises ”, and those described in the foregoing clauses (a) through (i) are collectively referred to as the “ Mortgaged Property ”).

TO HAVE AND TO HOLD the Mortgaged Property and the rights and privileges hereby mortgaged unto Mortgagee, its successors and assigns for the uses and purposes set forth, until the Obligations are fully paid and performed, provided, however, that the condition of this Mortgage is such that if the Obligations are fully paid and performed, then the estate hereby granted shall cease, terminate and become void.

This Mortgage covers present and future advances and re-advances, in the aggregate amount of the obligations secured hereby, made by the Secured Parties for the benefit of Mortgagor, and the lien of such future advances and re-advances shall relate back to the date of this Mortgage.

Terms and Conditions

Mortgagor further represents, warrants, covenants and agrees with Mortgagee and the Secured Parties as follows:

Defined Terms . Capitalized terms used herein (including in the “Background” and “Granting Clauses” sections above) and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement, and the terms of usage set forth in Section 1.03 of the

Credit Agreement shall apply hereto. References in this Mortgage to the " Default Rate " shall mean the interest rate applicable pursuant to Section 2.13(d) of the Credit Agreement. References herein to the " Secured Parties " shall mean the collective reference to (i) Mortgagee, (ii) the Lenders (including any Issuing Bank in its capacity as Issuing Bank), (iii) each counterparty to a Swap Agreement entered into with any Borrower if such counterparty was a Lender (or an Affiliate of a Lender) at the time the Swap Agreement was entered into, (iv) any other holders from time to time of any other Obligations, and (v) the respective successors, indorsees, transferees and permitted assigns of each of the foregoing **.**

Warranty of Title . Mortgagor warrants that it has good record title in fee simple to, or a valid leasehold interest in, the Real Estate, and good title to, or a valid leasehold interest in, the rest of the Mortgaged Property, subject only to the matters that are set forth in Schedule B of the title insurance policy or policies, if any, being issued to Mortgagee to insure the lien of this Mortgage and any other lien or encumbrance as permitted by Section 6.02 of the Credit Agreement (collectively the " Permitted Exceptions "). Mortgagor shall warrant, defend and preserve such title and the lien of this Mortgage against all claims of all persons and entities (not including the holders of the Permitted Exceptions). Mortgagor represents and warrants that it has the right to mortgage the Mortgaged Property.

Payment of Obligations . Mortgagor shall pay and perform the Obligations at the times and places and in the manner specified in the Loan Documents.

Requirements . Mortgagor shall comply with all covenants, restrictions and conditions now or later of record which may be applicable to any of the Mortgaged Property, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of any of the Mortgaged Property, except where a failure to do so could not reasonably be expected to (i) materially impair Mortgagor's ability to conduct its business at the Premises, or (ii) materially and adversely impair the value of the Mortgaged Property (assuming its current use).

Payment of Taxes and Other Impositions . (i) Prior to the date on which any fine, penalty, interest or cost may be added thereto or imposed, Mortgagor shall pay and discharge all taxes, charges and assessments of every kind and nature, all charges for any easement or agreement maintained for the benefit of any of the Real Estate, all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges, vault taxes and all other public charges even if unforeseen or extraordinary, imposed upon or assessed against or which may become a lien on any of the Real Estate, or arising in respect of the occupancy, use or possession thereof, together with any penalties or interest on any of the foregoing (all of the foregoing are collectively referred to herein as the "Impositions"), except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (ii) the Mortgagor has set aside on its books adequate reserves with respect thereto in accordance with, and if required by, GAAP, or except as would not have a Material Adverse Effect. Upon request by Mortgagee, Mortgagor shall deliver to Mortgagee evidence reasonably acceptable to Mortgagee showing the payment of any such Imposition. If by law any Imposition, at Mortgagor's option, may be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Mortgagor may elect to pay such Imposition in such installments and shall be responsible for the payment of such installments with interest, if any.

Nothing herein shall affect any right or remedy of Mortgagee under this Mortgage or otherwise, without notice or demand to Mortgagor, to pay any Imposition if the same is not paid in accordance with Section 5(a) above, and add to the Obligations the amount so paid, together with interest from the time of payment at the Default Rate. Any sums paid by Mortgagee in discharge of any Impositions shall be (i) a lien on the Premises secured hereby prior to any right or title to, interest in, or claim upon the Premises subordinate to the lien of this Mortgage, and (ii) payable on demand by Mortgagor to Mortgagee together with interest at the Default Rate as set forth above.

Insurance . (ii) Notwithstanding Section 5.09 of the Credit Agreement, Mortgagor shall maintain, or cause to be maintained, with financially sound and reputable companies, insurance policies (i) insuring the Real Estate against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Mortgagee, and (ii) insuring Mortgagor, the Mortgagee and the other Secured Parties against liability for personal injury and property damage relating to such Real Estate, such policies as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations as Mortgagor. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least thirty (30) days after receipt by the Mortgagee of written notice thereof, (ii) name the Mortgagee as an additional insured party or loss payee, (iii) include deductibles consistent with past practice or consistent with industry practice or otherwise reasonably satisfactory to the Mortgagee.

If any portion of the Premises is located in an area identified as a special flood hazard area by the Federal Emergency Management Agency or other applicable agency, Mortgagor shall maintain or cause to be maintained, flood insurance to the extent required under the National Flood Insurance Act of 1968, as amended.

If Mortgagor is in default of its obligations to insure or deliver any such prepaid policy or policies, then Mortgagee, at its option upon 30 days' notice to Mortgagor, may effect such insurance from year to year at rates substantially similar to the rate at which Mortgagor had insured the Premises, and pay the premium or premiums therefor, and Mortgagor shall pay to Mortgagee on demand such premium or premiums so paid by Mortgagee with interest from the time of payment at the Default Rate.

All insurance proceeds paid or payable in connection with any damage or casualty to the Real Estate shall be applied in the manner specified in the Credit Agreement **.**

In the event of foreclosure of this Mortgage or other transfer of title to the Mortgaged Property, all right, title and interest of Mortgagor in and to any insurance policies then in force shall pass to the purchaser or grantee.

Restrictions on Liens and Encumbrances . Except for the lien of this Mortgage and the Permitted Exceptions, Mortgagor shall not further mortgage, nor otherwise encumber the Mortgaged Property nor create or suffer to exist any lien, charge or encumbrance on the Mortgaged Property, or any part thereof, whether superior or subordinate to the lien of this Mortgage and whether recourse or non-recourse.

Due on Sale and Other Transfer Restrictions . Except as expressly permitted under Section 6.05 of the Credit Agreement, Mortgagor shall not sell, transfer, convey or assign all or any portion of, or any interest in, the Mortgaged Property.

Condemnation/Eminent Domain . All awards and proceeds relating to such condemnation shall be deemed Net Proceeds and applied in the manner specified in the Credit Agreement.

Leases . Except as expressly permitted under the Credit Agreement, Mortgagor shall not (a) execute an assignment or pledge of any Lease relating to all or any portion of the Mortgaged Property other than in favor of Mortgagee, or (b) execute or permit to exist any Lease of any of the Mortgaged Property.

Further Assurances . To further assure Mortgagee's rights under this Mortgage, Mortgagor agrees promptly upon demand of Mortgagee to do any act or execute any additional documents (including, but not limited to, security agreements on any personalty included or to be included in the Mortgaged Property and a separate assignment of each Lease in recordable form) as may be reasonably required by Mortgagee to confirm the lien of this Mortgage and all other rights or benefits conferred on Mortgagee by this Mortgage.

Mortgagee's Right to Perform . If Mortgagor fails to perform any of the covenants or agreements of Mortgagor, within the applicable grace period, if any, provided for in the Loan Documents, Mortgagee, without waiving or releasing Mortgagor from any obligation or default under this Mortgage, may, at any time upon 30 days' notice to Mortgagor (but shall be under no obligation to) pay or perform the same, and the amount or cost thereof, with interest at the Default Rate, shall immediately be due from Mortgagor to Mortgagee and the same shall be secured by this Mortgage and shall be a lien on the Mortgaged Property prior to any right, title to, interest in, or claim upon the Mortgaged Property attaching subsequent to the lien of this Mortgage. No payment or advance of money by Mortgagee under this Section shall be deemed or construed to cure Mortgagor's default or waive any right or remedy of Mortgagee.

Remedies . (iii) Upon the occurrence and during the continuance of any Event of Default, Mortgagee may immediately take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Mortgagor and in and to the Mortgaged Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such manner as Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Mortgagee:

Mortgagee may, to the extent permitted by applicable law, (A) institute and maintain an action of mortgage foreclosure against all or any part of the Mortgaged Property, (B) institute and maintain an action on the Credit Agreement, the US Security Agreement or any other Loan Document, (C) sell all or part of the Mortgaged Property (Mortgagor expressly granting to Mortgagee the power of sale), or (D) take such other action at law or in equity for the enforcement of this Mortgage or any of the Loan Documents as the law may allow. Mortgagee may proceed in any such action to final judgment and execution thereon for all sums due hereunder, together with interest thereon at the Default Rate and all costs of suit, including, without limitation, reasonable attorneys' fees and disbursements. Interest at the Default Rate shall be due on any judgment obtained by Mortgagee from the date of judgment until actual payment is made of the full amount of the judgment; and

Mortgagee may, to the extent permitted by applicable law, personally, or by its agents, attorneys and employees and without regard to the adequacy or inadequacy of the Mortgaged Property or any other collateral as security for the Obligations enter into and upon the Mortgaged Property and each and every part thereof and exclude Mortgagor and its agents and employees therefrom without liability for trespass, damage or otherwise (Mortgagor hereby agreeing to surrender possession of the Mortgaged Property to Mortgagee upon demand at any such time) and use, operate, manage, maintain and control the Mortgaged Property and every part thereof. Following such entry and taking of possession, Mortgagee shall be entitled, without limitation, (x) to lease all or any part or parts of the Mortgaged Property for such periods of time and upon such conditions as Mortgagee may, in its discretion, deem proper, (y) to enforce, cancel or modify any Lease (subject to the terms of any such Lease) and (z) generally to execute, do and perform any other act, deed, matter or thing concerning the Mortgaged Property as Mortgagee shall deem appropriate as fully as Mortgagor might do.

In case of a foreclosure sale, the Real Estate may be sold, at Mortgagee's election, in one parcel or in more than one parcel and Mortgagee is specifically empowered (without being required to do so, and in its sole and absolute discretion) to cause successive sales of portions of the Mortgaged Property to be held.

It is agreed that if an Event of Default shall occur and be continuing, any and all proceeds of the Mortgaged Property received by Mortgagee shall be held by Mortgagee for the benefit of the Secured Parties as collateral security for the Obligations (whether matured or unmatured), and shall be applied to payment of the Obligations in the manner set forth in Section 7.3 of the US Security Agreement.

Right of Mortgagee to Credit Sale . Upon the occurrence of any sale made under this Mortgage, whether made under the power of sale or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may bid for and acquire the Mortgaged Property or any part thereof. In lieu of paying cash therefor, Mortgagee may make settlement for the purchase price by crediting upon the Obligations or other sums secured by this Mortgage, the net sales price after deducting therefrom the expenses of sale and the cost of the action and any other sums which Mortgagee is authorized to deduct under this Mortgage. In such event, this Mortgage, the Credit Agreement, the US Security Agreement and documents evidencing expenditures secured hereby may be presented to the person or persons conducting the sale in order that the amount so used or applied may be credited upon the Obligations as having been paid.

Appointment of Receiver . If an Event of Default shall have occurred and be continuing, Mortgagee as a matter of right and without notice to Mortgagor, unless otherwise required by applicable law, and without regard to the adequacy or inadequacy of the Mortgaged Property or any other collateral or the interest of Mortgagor therein as security for the Obligations, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers or other manager of the Mortgaged Property, without requiring the posting of a surety bond, and without reference to the adequacy or inadequacy of the value of the Mortgaged Property or the solvency or insolvency of Mortgagor or any other party obligated for payment of all or any part of the Obligations, and whether or not waste has occurred with respect to the Mortgaged Property, and Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor (except as may be required by law). Any such receiver or receivers or manager shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Mortgagee in case of entry as provided in this Mortgage, including, without limitation and to the extent permitted by law, the right to enter into leases of all or any part of the Mortgaged Property, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Property unless such receivership is sooner terminated.

Extension, Release, etc . (iv) Without affecting the lien or charge of this Mortgage upon any portion of the Mortgaged Property not then or theretofore released as security for the full amount of the Obligations, Mortgagee may, from time to time and without notice except as specifically set forth in the Credit Agreement, agree to (i) release any person liable for the indebtedness borrowed or guaranteed under the Loan Documents or any other obligation secured by this Mortgage, (ii) extend the maturity or alter any of the terms of the indebtedness borrowed or guaranteed under the Loan Documents or any other obligation secured by this Mortgage or any other guaranty thereof, (iii) grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Mortgagee's option any parcel, portion or all of the Mortgaged Property, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) make compositions or other arrangements with debtors in relation thereto.

No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property of Mortgagor shall affect the lien of this Mortgage or any liens, rights, powers or remedies of Mortgagee hereunder, and such liens, rights, powers and remedies shall continue unimpaired.

If Mortgagee shall have the right to foreclose this Mortgage or to direct a power of sale, Mortgagor authorizes Mortgagee at its option to foreclose the lien of this Mortgage (or direct the sale of the Mortgaged Property, as the case may be) subject to the rights of any tenants of the Mortgaged Property. The failure to make any such tenants parties defendant to any such foreclosure proceeding and to foreclose their rights, or to provide notice to such tenants as required in any statutory procedure governing a sale of the Mortgaged Property, or to terminate such tenant's rights in such sale will not be asserted by Mortgagor as a defense to any proceeding instituted by Mortgagee to collect the Obligations or to foreclose the lien of this Mortgage.

Unless expressly provided otherwise, in the event that ownership of this Mortgage and title to the Mortgaged Property or any estate therein shall become vested in the same person or entity, this Mortgage shall not merge in such title but shall continue as a valid lien on the Mortgaged Property for the amount secured hereby.

Security Agreement under Uniform Commercial Code; Fixture Filing . (v) It is the intention of the parties hereto that this Mortgage shall constitute a "security agreement" within the meaning of the Uniform Commercial Code (the " Code ") of the State in which the Mortgaged Property is located. If an Event of Default shall occur and be continuing, then in addition to having any other right or remedy available at law or in equity, Mortgagee shall have the option of either (i) proceeding under the Code and exercising such rights and remedies as may be provided to a secured party by the Code with respect to all or any portion of the Mortgaged Property which is personal property (including, without limitation, taking possession of and selling such property) or (ii) treating such property as real property and proceeding with respect to both the real and personal property constituting the Mortgaged Property in accordance with Mortgagee's rights, powers and remedies with respect to the real property (in which event the default provisions of the Code shall not apply). If Mortgagee shall elect to proceed under the

Code, then ten (10) days' notice of sale of the personal property shall be deemed reasonable notice and the reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by Mortgagee shall include, but not be limited to, reasonable attorneys' fees and legal expenses. At Mortgagee's request, Mortgagor shall assemble the personal property and make it available to Mortgagee at a place designated by Mortgagee which is reasonably convenient to both parties.

Certain portions of the Mortgaged Property are or will become "fixtures" (as that term is defined in the Code) on the Land, and this Mortgage, upon being filed for record in the real estate records of the county wherein such fixtures are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of said Code upon such portions of the Mortgaged Property that are or become fixtures. The real property to which the fixtures relate is described in Schedule A hereto. The record owner of the real property described in Schedule A hereto is Mortgagor. As of the date hereof, the name, type of organization and jurisdiction of organization of the debtor for purposes of this financing statement are the name, type of organization and jurisdiction of organization of the Mortgagor set forth in the first paragraph of this Mortgage, and the name of the secured party for purposes of this financing statement is the name of the Mortgagee set forth in the first paragraph of this Mortgage. As of the date hereof, the mailing address of the Mortgagor/debtor is the address of the Mortgagor set forth in the first paragraph of this Mortgage. As of the date hereof, the mailing address of the Mortgagee/secured party from which information concerning the security interest hereunder may be obtained is the address of the Mortgagee set forth in the first paragraph of this Mortgage. As of the date hereof, Mortgagor's organizational identification number is **[___________]** .

Assignment of Rents . (vi) Mortgagor hereby assigns to Mortgagee the Rents as further security for the payment of and performance of the Obligations, and Mortgagor grants to Mortgagee the right to enter the Mortgaged Property for the purpose of collecting the same and to let the Mortgaged Property or any part thereof, and to apply the Rents on account of the Obligations. The foregoing assignment and grant is present and absolute and shall continue in effect until the Obligations are fully paid and performed, but Mortgagee hereby waives the right to enter the Mortgaged Property for the purpose of collecting the Rents and Mortgagor shall be entitled to collect, receive, use and retain the Rents until the occurrence and continuance of an Event of Default; such right of Mortgagor to collect, receive, use and retain the Rents may be revoked by Mortgagee upon the occurrence and during the continuance of any Event of Default by giving not less than 10 days' written notice of such revocation to Mortgagor; in the event such notice is given, Mortgagor shall pay over to Mortgagee, or to any receiver appointed to collect the Rents, any lease security deposits. Mortgagor shall not accept prepayments of installments of Rent to become due for a period of more than one month in advance (except for security deposits and estimated payments of percentage rent, if any).

Mortgagor has not affirmatively done any act which would prevent Mortgagee from, or limit Mortgagee in, acting under any of the provisions of the foregoing assignment.

Additional Rights . The holder of any subordinate lien or subordinate deed of trust on the Mortgaged Property shall have no right to terminate any Lease whether or not such Lease is subordinate to this Mortgage nor shall Mortgagor consent to any holder of any subordinate lien or subordinate deed of trust joining any tenant under any Lease in any action to foreclose the lien or modify, interfere with, disturb or terminate the rights of any tenant under any Lease. By recordation of this Mortgage all subordinate lienholders and the mortgagees and beneficiaries under subordinate mortgages are subject to and notified of this provision, and any action taken by any such lienholder or beneficiary contrary to this provision shall be null and void. Any such application shall not be construed to cure or waive any Default or Event of Default or invalidate any act taken by Mortgagee on account of such Default or Event of Default.

Notices . All notices, requests and demands to or upon the Mortgagee or the Mortgagor hereunder shall be effected in the manner provided for in Section 9.01 of the Credit Agreement; provided that any such notice, request or demand to or upon Mortgagor shall be addressed to Mortgagor at its address set forth above.

No Oral Modification . This Mortgage may not be amended, supplemented or otherwise modified except in accordance with the provisions of Section 9.02 of the Credit Agreement. Any agreement made by Mortgagor and Mortgagee after the date of this Mortgage relating to this Mortgage shall be superior to the rights of the holder of any intervening or subordinate lien or encumbrance, to the extent permitted by applicable law.

Partial Invalidity . In the event any one or more of the provisions contained in this Mortgage shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but each shall be construed as if such invalid, illegal or unenforceable provision had never been included. Notwithstanding to the contrary anything contained in this Mortgage or in any provisions of any Loan Document, the obligations of Mortgagor and of any other obligor under any Loan Documents shall be subject to the limitation that Mortgagee shall not charge, take or receive, nor shall Mortgagor or any other obligor be obligated to pay to Mortgagee, any amounts constituting interest in excess of the maximum rate permitted by law to be charged by Mortgagee.

Mortgagor's Waiver of Rights . (vii) Mortgagor hereby voluntarily and knowingly releases and waives any and all rights to retain possession of the Mortgaged Property after the occurrence and during the continuance of an Event of Default and any and all rights of redemption from sale under any order or decree of foreclosure (whether full or partial), pursuant to rights, if any, therein granted, as allowed under any applicable law, on its own behalf, on behalf of all persons claiming or having an interest (direct or indirectly) by, through or under each constituent of Mortgagor and on behalf of each and every person acquiring any interest in the Mortgaged Property subsequent to the date hereof, it being the intent hereof that any and all such rights or redemption of each constituent of Mortgagor and all such other persons are and shall be deemed to be hereby waived to the fullest extent permitted by applicable law or replacement statute. Each constituent of Mortgagor shall not invoke or utilize any such law or laws or otherwise hinder, delay, or impede the execution of any right, power, or remedy herein or otherwise granted or delegated to Mortgagee, but shall permit the execution of every such right, power, and remedy as though no such law or laws had been made or enacted.

To the fullest extent permitted by law, Mortgagor waives the benefit of all laws now existing or that may subsequently be enacted providing for (i) any appraisement before sale of any portion of the Mortgaged Property, (ii) any extension of the time for the enforcement of the collection of the Obligations or the creation or extension of a period of redemption from any sale made in collecting such debt and (iii) exemption of the Mortgaged Property from attachment, levy or sale under execution or exemption from civil process. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisement, valuation, stay, exemption, extension or redemption, or requiring foreclosure of this Mortgage before exercising any other remedy granted hereunder and Mortgagor, for

Mortgagor and its successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisement, stay of execution, notice of election to mature (except as expressly provided in the Credit Agreement) or declare due the whole of the secured indebtedness and marshalling in the event of exercise by Mortgagee of the foreclosure rights, power of sale, or other rights hereby created.

Remedies Not Exclusive . Mortgagee shall be entitled to enforce payment and performance of the Obligations and to exercise all rights and powers under this Mortgage or under any of the other Loan Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Obligations may now or hereafter be otherwise secured, whether by deed of trust, mortgage, security agreement, pledge, lien, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement, shall prejudice or in any manner affect Mortgagee's rights to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce this Mortgage and any other security now or hereafter held by Mortgagee in such order and manner as Mortgagee may determine in its absolute discretion. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Documents to Mortgagee or to which either may otherwise be entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee, as the case may be. In no event shall Mortgagee, in the exercise of the remedies provided in this Mortgage (including, without limitation, in connection with the assignment of Rents to Mortgagee, or the appointment of a receiver and the entry of such receiver on to all or any part of the Mortgaged Property), be deemed a “mortgagee in possession,” and Mortgagee shall not in any way be made liable for any act, either of commission or omission, in connection with the exercise of such remedies.

Multiple Security . If (a) the Premises shall consist of one or more parcels, whether or not contiguous and whether or not located in the same county, or (b) in addition to this Mortgage, Mortgagee shall now or hereafter hold or be the beneficiary of one or more additional mortgages, liens, deeds of trust or other security (directly or indirectly) securing the Obligations upon other property in the State in which the Premises are located (whether or not such property is owned by Mortgagor or by others) or (c) both the circumstances described in clauses (a) and (b) shall be true, then to the fullest extent permitted by law, Mortgagee may, at its election, commence or consolidate in a single foreclosure action all foreclosure proceedings against all such collateral securing the Obligations (including the Mortgaged Property), which action may be brought or consolidated in the courts of, or sale conducted in, any county in which any of such collateral is located. Mortgagor acknowledges that the right to maintain a consolidated foreclosure action is a specific inducement to Mortgagee to extend the indebtedness borrowed pursuant to or guaranteed by the Loan Documents, and Mortgagor expressly and irrevocably waives any objections to the commencement or consolidation of the foreclosure proceedings in a single action and any objections to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have. Mortgagor further agrees that if Mortgagee shall be prosecuting one or more foreclosure or other proceedings against a portion of the Mortgaged Property or against any collateral other than the Mortgaged Property, which collateral directly or indirectly secures the Obligations, or if Mortgagee shall have obtained a judgment of foreclosure and sale or similar judgment against such collateral, then, whether or not such proceedings are being maintained or judgments were obtained in or outside the State in which the Premises are located, Mortgagee may commence or continue any foreclosure proceedings and exercise its other remedies granted in this Mortgage against all or any part of the Mortgaged Property and Mortgagor waives any objections to the commencement or continuation of a foreclosure of this Mortgage or exercise of any other remedies hereunder based on such other proceedings or judgments, and waives any right to seek to dismiss, stay, remove, transfer or consolidate either any action under this Mortgage or such other proceedings on such basis. Neither the commencement nor continuation of proceedings to foreclose this Mortgage, nor the exercise of any other rights hereunder nor the recovery of any judgment by Mortgagee in any such proceedings or the occurrence of any sale in any such proceedings shall prejudice, limit or preclude Mortgagee's right to commence or continue one or more foreclosure or other proceedings or obtain a judgment against any other collateral (either in or outside the State in which the Premises are located) which directly or indirectly secures the Obligations, and Mortgagor expressly waives any objections to the commencement of, continuation of, or entry of a judgment in such other sales or proceedings or exercise of any remedies in such sales or proceedings based upon any action or judgment connected to this Mortgage, and Mortgagor also waives any right to seek to dismiss, stay, remove, transfer or consolidate either such other sales or proceedings or any sale or action under this Mortgage on such basis. It is expressly understood and agreed that to the fullest extent permitted by law, Mortgagee may, at its election, cause the sale of all collateral which is the subject of a single foreclosure action at either a single sale or at multiple sales conducted simultaneously and take such other measures as are appropriate in order to effect the agreement of the parties to dispose of and administer all collateral securing the Obligations (directly or indirectly) in the most economical and least time-consuming manner.

Successors and Assigns . All covenants of Mortgagor contained in this Mortgage are imposed solely and exclusively for the benefit of Mortgagee, and its successors and permitted assigns, and no other person or entity shall have standing to require compliance with such covenants or be deemed, under any circumstances, to be a beneficiary of such covenants, any or all of which may be freely waived in whole or in part by Mortgagee at any time if in the sole discretion of either of them such a waiver is deemed advisable. All such covenants of Mortgagor shall run with the land and bind Mortgagor, the successors and assigns of Mortgagor (and each of them) and all subsequent owners, encumbrancers and tenants of the Mortgaged Property, and shall inure to the benefit of Mortgagee and its successors and assigns. The word "Mortgagor" shall be construed as if it read "Mortgagors" whenever the sense of this Mortgage so requires and if there shall be more than one Mortgagor, the obligations of the Mortgagors shall be joint and several.

No Waivers, etc. Any failure by Mortgagee to insist upon the strict performance by Mortgagor of any of the terms and provisions of this Mortgage shall not be deemed to be a waiver of any of the terms and provisions hereof, and Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Mortgagor of any and all of the terms and provisions of this Mortgage to be performed by Mortgagor. Mortgagee may release, regardless of consideration and without the necessity for any notice to or consent by the holder of any subordinate lien on the Mortgaged Property, any part of the security held for the obligations secured by this Mortgage without, as to the remainder of the security, in any way impairing or affecting the lien of this Mortgage or the priority of such lien over any subordinate lien or deed of trust.

Governing Law, etc. This Mortgage shall be governed by and construed and interpreted in accordance with the laws of the State in which the Mortgaged Property is located, except that Mortgagor expressly acknowledges that by their respective terms the Credit Agreement and the US Security Agreement shall be governed and construed in accordance with the laws of the State of New York, and for purposes of consistency, Mortgagor agrees that in any in personam proceeding related to this Mortgage the rights of the parties to this Mortgage shall also be governed by and construed in accordance with the laws of the State of New York governing contracts made and to be performed in that State.

Certain Definitions . Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage shall be used interchangeably in singular or plural form and the word "Mortgagor" shall mean "each Mortgagor or any subsequent owner or owners of the Mortgaged Property or any part thereof or interest therein," the word "Mortgagee" shall mean "Mortgagee or any successor agent for the Lenders," the word "person" shall include any individual, corporation, partnership, limited liability company, trust, unincorporated association, government, governmental authority, or other entity, and the words "Mortgaged Property" shall include any portion of the Mortgaged Property or interest therein. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. The captions in this Mortgage are for convenience or reference only and in no way limit or amplify the provisions hereof.

Duty of Mortgagee; Authority of Mortgagee . (a) By acceptance of the benefits hereof, each Secured Party, as between Mortgagee and such Secured Party, acknowledges and consents to the provisions of Section 9.02(c) of the Credit Agreement and agrees that the Mortgagee, in its capacity as Administrative Agent, shall not incur any liability whatsoever to any such holder of any Obligations for any release directed or consented to by it in accordance with the Credit Agreement. Furthermore, by acceptance of the benefits hereof, each Secured Party, as between Mortgagee and such Secured Party, acknowledges and consents to the provisions of the Credit Agreement, this Mortgage and the other Loan Documents, and that it shall not be entitled to the benefits of this Mortgage or the other Loan Documents except pursuant to the terms and conditions of the Credit Agreement, this Mortgage and the other Loan Documents.

(b) JPMorgan Chase Bank, N.A. has been appointed administrative agent for the Lenders hereunder pursuant to Article VIII of the Credit Agreement. It is expressly understood and agreed by Mortgagor that any authority conferred upon Mortgagee hereunder is subject to the terms of the delegation of authority made by the Lenders to the Mortgagee pursuant to the Credit Agreement, and that the Mortgagee has agreed to act (and any successor Administrative Agent shall act) as such hereunder only on the express conditions contained in such Article VIII. Any successor Administrative Agent appointed pursuant to Article VIII of the Credit Agreement shall be entitled to all the rights, interests and benefits of the Mortgagee hereunder.

Last Dollars Secured; Priority . To the extent that this Mortgage secures only a portion of the indebtedness owing or which may become owing by Mortgagor to the Secured Parties, the parties agree that any payments or repayments of such indebtedness shall be and be deemed to be applied first to the portion of the indebtedness that is not secured hereby, it being the parties' intent that the portion of the indebtedness last remaining unpaid shall be secured hereby. If at any time this Mortgage shall secure less than all of the principal amount of the Obligations, it is expressly agreed that any repayments of the principal amount of the Obligations shall not reduce the amount of the lien of this Mortgage until the lien amount shall equal the principal amount of the Obligations outstanding.

Enforcement Expenses; Indemnification . i) Any taxes (including income taxes) payable or ruled payable by Federal or State authority in respect of this Mortgage shall be paid by Mortgagor, together with interest and penalties, if any. The Mortgagor shall reimburse Mortgagee for any and all reasonable out of pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Mortgagee) paid or incurred by the Mortgagee in connection with the preparation, execution, delivery, administration, collection and enforcement of this Mortgage and in the audit, analysis, administration, collection, preservation or sale of the Mortgaged Property, subject to the terms of Section 9.03 of the Credit Agreement.

(b) Mortgagor agrees to pay, and to save the Mortgagee and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Mortgaged Property or in connection with any of the transactions contemplated by this Mortgage.

(c) Mortgagor hereby indemnifies Mortgagee and the Secured Parties, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, reasonable costs, and reasonable expenses of any kind and nature (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not Mortgagee or any Secured Party is a party thereto) imposed on, incurred by or asserted against Mortgagee or the Secured Parties, or their respective successors, assigns, agents and employees, in any way relating to or arising out of any litigation, investigation or proceeding arising as of or in connection with this Mortgage, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Mortgaged Property; provided, however, such indemnity shall not be available to the extent that such liability, damages, penalties, suits, costs and expenses are determined by a court of competent jurisdiction by a final judgment to have resulted from the gross negligence or willful misconduct of Mortgagee or such Mortgagee shall admit such gross negligence or willful misconduct in writing in a judicial proceeding of a court of competent jurisdiction.

Release . If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by any Mortgagor in a transaction permitted by the Credit Agreement and the Net Cash Proceeds are applied in accordance with the terms of the Credit Agreement to the extent applicable, then the Mortgagee, at the request and sole expense of such Mortgagor, shall execute and deliver to such Mortgagor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Mortgaged Property or, at Mortgagor's request (but at no cost to Mortgagee) assign this Mortgage without recourse to Mortgagee to a mortgagee designated by Mortgagor. The Mortgagor shall deliver to the Mortgagee, at least five business days prior to the date of the proposed release or assignment, a written request for release or assignment identifying the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Mortgagor stating that such transaction is in compliance with, and permitted by, the Credit Agreement and the other Loan Documents.

This Mortgage has been duly executed by Mortgagor as of the date first above written and is intended to be effective as of such date.

[____________________]

By: ____
Name:
Title:

[add appropriate Notary]

Schedule A

Description of the Land

EXHIBIT K

FROM OF NETHERLANDS MORTGAGE

[To Come]

EXHIBIT L

FORM OF BORROWING REQUEST

LIBBEY GLASS INC.

Borrowing Request Date:

JPMorgan Chase Bank, N.A.
120 S. LaSalle Street
Chicago, IL 60603
Attention: ___________- Operations [1]

Ladies and Gentlemen:

This Borrowing Request is furnished pursuant to Section 2.03 of that certain Credit Agreement dated as of May _, 2006 (as amended, modified, renewed or extended from time to time, the "Agreement") among LIBBEY GLASS INC. (the "Borrower Representative") and LIBBEY EUROPE, B.V. as Borrowers, LIBBEY INC. as a Loan Guarantor, the other Loan Parties thereto, the Lenders party thereto and JPMORGAN CHASE BANK, N.A. ("Chase") as Administrative Agent for the Lenders and as Issuing Bank. Unless otherwise defined herein, capitalized terms used in this Borrowing Request have the meanings ascribed thereto in the Agreement. The Borrower Representative represents that, as of this date, the conditions precedent set forth in Section 4.02 are satisfied.

1. The Borrower Representative hereby notifies Chase of its request of the following Borrowing:

(1) Borrower: ______________________

(2) The Borrowing shall be a ___ ABR Borrowing **or** ___ Eurocurrency Borrowing

(3) Borrowing Date of the Borrowing (must be a Business Day): ______________________

(4) Aggregate Amount of the Borrowing (specify whether in $ or €): ______________________

(5) Borrowing shall ___ shall not ___ be made pursuant to Revolving Netherlands Sublimit

(6) If a Eurocurrency Borrowing, the duration of Interest Period:

One Month ___________Three Months ___________

Two Months ___________Six Months ___________

LIBBEY GLASS INC.

By: ______________________________
Name:
Title:

Do not write below. For bank purposes only

__Customer's signature(s) verified

__Call-back performed

Holds
___CFC Used
___Hold Placed/Pre-Approved
___Same-day Credit/Pre-Approved

By: ______________________
Phone Number: ______________________
Spoke to: ______________________
Date: ______________________
Time: ______________________

[1] In the case of Borrowings in Euros, address details are as follows: JPMorgan Europe Limited, 125 London Wall, London EC2Y 5 AJ, Attention: Steve Clarke.

RECEIVED BY (Print Name/Phone(Request Only))	INITIALS	PROCESSED BY (Print name)	INITIALS
AUTHORIZED APPROVAL (Print Name)		AUTHORIZED SIGNATURE	
AUTHORIZED APPROVAL (Print Name)		AUTHORIZED SIGNATURE	

EXHIBIT M

Form of Affidavit of Payment of Mortgage Recording Taxes

STATE OF __________)
: ss.:
COUNTY OF __________)

______________________, being duly sworn, deposes and says that, to his knowledge:

1. I reside at ___________, ___________, and I am of Syracuse China Company, a Delaware corporation (the "Mortgagor").

2. Libbey Glass, Inc. and Libbey Europe, B.V. ("Borrowers") are the borrowers under that certain Credit Agreement dated as of June ___, 2006 (as the same may be amended, supplemented, restated, replaced or otherwise modified from time to time, the "Credit Agreement"), among JPMorgan Chase Bank., N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), the several lending institutions from time to time parties thereto (collectively, the "Lenders"), and others.

3. In connection with the Credit Agreement, the Mortgagor has granted to the Administrative Agent for the ratable benefit of the Lenders, a mortgage on certain real property located in the County of Onondaga, New York (the "Mortgage").

4. Pursuant to the Credit Agreement, Mortgagor must provide to the Administrative Agent an affidavit endorsed by the recording officer of the County of Onondaga, New York or other reasonably satisfactory evidence, acknowledging payment of the mortgage recording tax due in connection with certain advances made under the Credit Agreement.

5. Borrower has requested a Loan under the Credit Agreement in the amount of $ ___________, which Loan constitutes a Taxable Advance. Accordingly, New York mortgage recording tax in the amount of $ ___________has been duly paid to the recording officer of Onondaga County, New York, the county in which the real property encumbered by the Mortgage is situated.

Name:

Sworn to before me this ___ day of ___, 200_

Notary Public

By affixing my seal hereto, I, the recording officer of Onondaga County, New York, hereby acknowledge receipt of the mortgage recording taxes in the amount stated above, paid on account of the Credit Agreement referred to above pursuant to the provisions of Article 11 of the New York Tax Law

EXHIBIT 31.1

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John F. Meier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Libbey Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this 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 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 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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying 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 the 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 9, 2009

By /s/ John F. Meier
John F. Meier,
Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory T. Geswein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Libbey Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this 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 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 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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying 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 the 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 9, 2009

By /s/ Gregory T. Geswein
Gregory T. Geswein,
Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Libbey Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2009

/s/ John F. Meier
John F. Meier
Chief Executive Officer

EXHIBIT 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Libbey Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2009

/s/ Gregory T. Geswein
Gregory T. Geswein
Chief Financial Officer