CARLISLE COMPANIES INC
Form 10-Q
October 27, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x 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

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

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**31-1168055**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina 28277 (Address of principal executive office, including zip code)

(704) 501-1100 (Telephone Number)

Indicate by check mark whether 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 x No o

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 o No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller Reporting Company o

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

Shares of common stock outstanding at October 22, 2009: 61,267,083

Part . Financial Information

Item 1.Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Earnings

For the Three and Nine Months ended September 30, 2009 and 2008

(In millions, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008*	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008*
Net sales	**$ 604.6**	$ 832.5	**$ 1,734.2**	$ 2,347.9
Cost and expenses:				
Cost of goods sold	**462.3**	668.4	**1,362.2**	1,886.0
Selling and administrative expenses	**66.6**	79.1	**207.1**	234.9
Research and development expenses	**3.2**	3.2	**9.9**	9.8
Gain related to fire settlement			**(27.0)**	
Other operating expense	**1.8**		**9.9**	
Operating income	**70.7**	81.8	**172.1**	217.2
Other non-operating income, net	**(0.8)**	(0.6)		(1.4)
Interest expense, net	**2.0**	6.1	**7.0**	15.3
Income before income taxes	**69.5**	76.3	**165.1**	203.3
Income tax expense	**24.5**	25.7	**54.4**	67.6
Income from continuing operations, net of tax	**45.0**	50.6	**110.7**	135.7
Discontinued operations				
Income (loss) from discontinued operations	**1.4**	0.9	**(4.1)**	(126.9)
Income tax (benefit) expense	**(0.2)**	1.1	**(2.1)**	(33.3)
Income (loss) from discontinued operations, net of tax	**1.6**	(0.2)	**(2.0)**	(93.6)
Net income	**$ 46.6**	$ 50.4	**$ 108.7**	$ 42.1
Earnings (loss) per share - basic				
Income from continuing operations, net of tax	**$ 0.73**	$ 0.83	**$ 1.81**	$ 2.22
Income (loss) from discontinued operations, net of tax	**0.03**		**(0.04)**	(1.53)
Earnings per share - basic	**$ 0.76**	$ 0.83	**$ 1.77**	$ 0.69
Earnings (loss) per share - diluted				
Income from continuing operations, net of tax	**$ 0.73**	$ 0.83	**$ 1.79**	$ 2.21
Income (loss) from discontinued operations, net of tax	**0.02**	(0.01)	**(0.03)**	(1.52)
Earnings per share - diluted	**$ 0.75**	$ 0.82	**$ 1.76**	$ 0.69

Weighted average common shares outstanding (in thousands)								
Basic		**60,612**		60,528		**60,588**		60,543
Effect of dilutive stock options		**625**		277		**565**		283
Diluted		**61,237**		60,805		**61,153**		60,826
Dividends declared and paid per share	**$**	**0.160**	$	0.155	**$**	**0.470**	$	0.445

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* *For the three and nine months ended September 30, 2008 certain revisions have been made regarding the calculation of earnings per share. See Notes 2 and 17 to Unaudited Consolidated Financial Statements.*

See accompanying notes to Unaudited Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Balance Sheets

September 30, 2009 and December 31, 2008

(In millions, except share and per share amounts)

	September 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 81.2**	$ 42.7
Receivables, less allowance of $14.6 in 2009 and $10.7 in 2008	**342.4**	317.0
Inventories	**299.8**	424.2
Deferred income taxes	**39.4**	35.2
Prepaid expenses and other current assets	**29.7**	58.9
Current assets held for sale	**46.5**	90.1
Total current assets	**839.0**	968.1
Property, plant and equipment, net of accumulated depreciation of $495.3 in 2009 and $494.2 in 2008	**444.1**	470.7
Other assets:		
Goodwill, net	**449.3**	435.8
Other intangible assets, net	**150.3**	146.3
Investments and advances to affiliates	**4.1**	4.6
Other long-term assets	**5.1**	2.5
Non-current assets held for sale	**46.1**	47.9
Total other assets	**654.9**	637.1
TOTAL ASSETS	**$ 1,938.0**	$ 2,075.9
Liabilities and Shareholders Equity		
Current liabilities:		
Short-term debt, including current maturities	**$**	$ 127.0
Accounts payable	**139.5**	123.6
Accrued expenses	**168.9**	148.3
Deferred revenue	**15.1**	14.7
Current liabilities associated with assets held for sale	**14.1**	28.9
Total current liabilities	**337.6**	442.5
Long-term liabilities:		
Long-term debt	**156.7**	273.3
Deferred revenue	**111.0**	106.2
Other long-term liabilities	**142.1**	159.8
Total long-term liabilities	**409.8**	539.3
Shareholders equity:		
Preferred stock, $1 par value per share. Authorized and unissued 5,000,000 shares		
Common stock, $1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 60,633,463 outstanding in 2009 and 60,532,539 outstanding in 2008	**78.7**	78.7
Additional paid-in capital	**70.1**	62.1
Cost of shares of treasury - 17,395,465 shares in 2009 and 17,654,759 shares in 2008	**(223.1)**	(225.5)
Accumulated other comprehensive loss	**(33.3)**	(39.5)

Retained earnings		**1,298.2**		1,218.3
Total shareholders equity		**1,190.6**		1,094.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$**	**1,938.0**	$	2,075.9

See accompanying notes to Unaudited Consolidated Financial Statements

Carlisle Companies Incorporated

Consolidated Statements of Cash Flows

For the Nine Months ended September 30, 2009 and 2008

(In millions)

(Unaudited)

	September 30, 2009	September 30, 2008
Operating activities		
Net income	**$ 108.7**	$ 42.1
Reconciliation of net income to cash flows from operating activities:		
Depreciation	**42.9**	46.0
Amortization	**7.9**	7.3
Non-cash compensation	**10.9**	9.0
Earnings in equity investments	**(0.2)**	(0.4)
(Gain) loss on sale of property and equipment, net	**(1.4)**	0.1
Loss on writedown of assets	**10.6**	124.3
Deferred taxes	**3.1**	(30.7)
Tax benefits from stock-based compensation	**0.2**	
Foreign exchange gain	**(1.5)**	(1.4)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Current and long-term receivables	**6.3**	(107.9)
Inventories	**163.4**	(8.9)
Accounts payable and accrued expenses	**(9.1)**	52.3
Income taxes	**42.4**	(1.5)
Long-term liabilities	**(19.0)**	11.2
Other operating activities	**(1.8)**	0.6
Net cash provided by operating activities	**363.4**	142.1
Investing activities		
Capital expenditures	**(34.9)**	(55.8)
Acquisitions, net of cash	**(33.0)**	(294.8)
Proceeds from sale of property and equipment	**6.7**	4.1
Other investing activities	**0.2**	0.5
Net cash used in investing activities	**(61.0)**	(346.0)
Financing activities		
Net change in short-term borrowings and revolving credit lines	**(234.6)**	353.2
Reductions of long-term debt		(100.0)
Dividends	**(28.8)**	(27.2)
Treasury share repurchases		(4.8)
Treasury shares and stock options, net	**(0.2)**	(1.7)
Tax benefits from stock-based compensation	**(0.2)**	
Net cash (used in) provided by financing activities	**(263.8)**	219.5
Effect of exchange rate changes on cash	**(0.1)**	(2.3)
Change in cash and cash equivalents	**38.5**	13.3
Cash and cash equivalents		
Beginning of period	**42.7**	88.4
End of period	**$ 81.2**	$ 101.7

See accompanying notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

Three and Nine Months Ended September 30, 2009 and 2008

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Carlisle Companies Incorporated and its wholly-owned subsidiaries (together, the Company or Carlisle). Intercompany transactions and balances have been eliminated on consolidation. The unaudited consolidated financial statements have been prepared in accordance with Article 10-01 of Regulation S-X of the Securities and Exchange Commission and, as such, do not include all information required by generally accepted accounting principles for annual financial statements. However, in the opinion of the Company, these financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial statements for the interim periods presented herein. Results of operations for the three and nine months ended September 30, 2009, are not necessarily indicative of the operating results for the full year.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes included in the Company s 2008 Form 10-K.

(2) Reclassifications and Restatements

Certain reclassifications have been made to the information for the three and nine months ending September 30, 2008 to conform to the current year s presentation.

Earnings per share for the three and nine months ended September 30, 2008 have been revised retroactively, as required, to reflect the implementation of accounting guidance which clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities for purposes of applying the two-class method of computing earnings per share. See Notes 3 and 17 for additional information.

(3) New Accounting Pronouncements

New accounting standards adopted

In January 2008, the Company adopted accounting guidance related to fair value measurements for financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance applies only for fair value measurements that are already required or permitted by other accounting guidance (except for measurements of share-based payments) and is intended to increase the consistency of those measurements. Accordingly, this guidance does not require any new fair value measurements. Adoption of this accounting guidance had no material effect on the Company s statement of earnings or financial position. In February 2008, additional guidance was issued, which deferred the effective date of the provisions related to certain types of nonfinancial assets and nonfinancial liabilities by one year to fiscal years beginning after November 15, 2008. The Company has adopted these provisions as they relate to the fair value measurement of non-financial assets and liabilities effective January 1, 2009. The adoption did not have a material impact on the Company s consolidated financial statements. See Note 6 for additional information.

In December 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance which will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. The guidance related to reporting of business combination transactions and noncontrolling (minority) interests is required to be adopted simultaneously and is effective for the first annual reporting period beginning on or after December 15, 2008. The Company has adopted the provisions of this accounting guidance prospectively, as required, beginning January 1, 2009. The adoption did not have a material impact on the Company s consolidated financial statements. See Note 8 for additional information.

In March 2008, the FASB issued disclosure guidance which applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments and related hedged items. The disclosure guidance requires entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations, and cash flows. This disclosure guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. At September 30, 2009, the Company had no active derivative instruments, thus the adoption had no effect on the Company s consolidated financial statements.

In June 2008, the FASB issued accounting guidance which clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities for purposes of applying the two-class method of computing earnings per share. The Company adopted the provisions of this accounting guidance effective January 1, 2009. The adoption did not have a material effect on the Company s consolidated financial statements. See Note 17 for more information regarding the Company s adoption of this accounting guidance.

The Company has adopted accounting guidance issued by the FASB in May 2009 which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, this guidance requires an entity to disclose the date through which subsequent events have been evaluated. The Company has evaluated subsequent events through the date these financial statements were filed with the SEC.

In June 2009, the FASB issued guidance related to the FASB Accounting Standards Codification (ASC). Effective for interim or annual financial periods ending after September 15, 2009, the ASC is the source of authoritative generally accepted accounting principles in the United States of America (U.S. GAAP) and changes the referencing of accounting standards. The ASC is not intended to change or alter existing U.S. GAAP; however the way authoritative literature is referred to has changed effective in the third quarter of 2009. The Company has adopted the provisions of the ASC effective September 30, 2009.

(4) Fire Gain

On November 16, 2008, a fire occurred at the tire and wheel plant in Bowdon, GA, and as a result the building and the majority of the machinery, equipment, records and other assets were destroyed. In order to service customers, partial operations were initiated at a facility in Heflin, AL, and some production was transferred to other tire and wheel plants or outsourced to third parties.

In the fourth quarter of 2008, while the Company was negotiating its claim, a pretax loss was recorded representing the deductible of $0.1 million. The net result of fire-related transactions in the first quarter of 2009 was a $2.5 million pretax gain, which included a $2.6 million pretax gain on the settlement of the inventory claim which was the difference between $8.9 million, representing the loss on inventory

recorded in the fourth quarter of 2008 for which a receivable was recorded at December 31, 2008, and $11.5 million of cash proceeds received from the insurance carriers to settle the inventory claim in the first quarter of 2009. Total payments of $13.5 million were received from the insurance carriers in the first quarter of 2009.

The net result of fire-related transactions in the second quarter of 2009 was a $24.5 million pretax gain on the settlement of all other claims and that amount was reported as Gain related to fire settlement. This gain was the difference between the $41.0 million of cash proceeds received from the insurance carriers in settlement of all outstanding claims and the $11.2 million insurance claims receivable balance at March 31, 2009 included in Prepaid expenses and other current assets for a portion of the expected insurance reimbursements plus $5.3 million, representing fire-related cost in the second quarter of 2009.

From November 16, 2008 through June 30, 2009 cash proceeds of $54.5 million were received from the insurance carriers. Losses and cost incurred from November 16, 2008 through June 30, 2009 of $27.6 million included $8.9 million of inventory; $5.7 million of building, machinery, equipment and other assets; and $13.0 million of fire-related cost. The $26.9 million pretax gain from November 16, 2008 through June 30, 2009 was the difference between cash proceeds of $54.5 million and the losses of $27.6 million. On a quarterly basis, a loss of $0.1 million was recorded in the fourth quarter of 2008, a gain of $2.5 million was recorded in the first quarter of 2009, and a gain of $24.5 million was recorded in the second quarter of 2009.

A minimal amount of fire-related scrap was sold in the third quarter of 2009. Since all insurance claims due to this fire were settled with the carriers, there was no insurance claims receivable at September 30, 2009 or at June 30, 2009 and no additional insurance proceeds are anticipated.

(5) Borrowings

During the second quarter of 2009, the Company terminated its existing $150.0 million accounts receivable securitization facility. The facility was terminated as a result of the Company s strong operating cash flows and its available credit facilities and lines of credit that should provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business and make strategic acquisitions.

At September 30, 2009, the fair value of the Company s $150 million, 6.125% senior notes due 2016, using the Level 2 method of input, is approximately $154.4 million. The fair value of the Company s senior notes is based on current year yield rates plus the Company s estimated credit spread available for financings with similar terms and maturities. See Note 6 for additional information.

(6) Fair Value Measurements

As described in Note 3, the Company adopted the provisions of the accounting guidance related to fair value measurements of financial assets and liabilities effective January 1, 2008 and adopted the provisions applicable to fair value measurement of non-financial assets and liabilities effective January 1, 2009. This accounting guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also describes three levels of inputs that may be used to measure fair value:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs in which there is little or no market data available, which requires the reporting entity to develop its own assumptions.

The fair value of the Company s assets and liabilities measured at fair value on a recurring basis were as follows:

In millions	**Balance at September 30, 2009**	**Quoted Prices In Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Cash and cash equivalents	$ 81.2	$ 81.2	$	$

For the three month period ended September 30, 2009, the Company measured certain non-financial assets at fair value on a nonrecurring basis within the Construction Materials segment, resulting in a total impairment charge of $1.6 million, which was included in Other operating expense. These measurements were based on fair value determination of certain long-lived assets within a specialized segment of its commercial roofing operations using Level 3 inputs. Intangible assets consisting of a licensing agreement with a carrying amount of $0.4 million were written down to a fair value of zero, resulting in an impairment charge of $0.4 million, based on management s determination of the usefulness of the technology underlying the license agreement in the current market. In addition, certain property, plant and equipment with a carrying value of $2.3 million was written down to a fair value of $1.1 million, resulting in an impairment charge of $1.2 million. The determination was based upon management s evaluation of future cash flows from this production equipment and net realizable value.

For the nine month period ended September 30, 2009, the Company measured other non-financial assets at fair value on a nonrecurring basis connected with management s decision to consolidate certain manufacturing facilities within the Transportation Products segment.

During the three months ended March 31, 2009, property, plant and equipment within the tire and wheel business of the Transportation Products segment with a carrying amount of $2.9 million were written down to a fair value of zero, resulting in an impairment charge of $2.9 million, which was included in Other operating expense. The fair value determination was based upon Level 3 inputs reflecting management s determination of the net realizable value of the assets. Such assets primarily reflected leasehold improvements that could not be transferred upon consolidation of locations.

Also within the tire and wheel business of the Transportation Products segment, during the three months ended June 30, 2009, property, plant and equipment relating to facilities in Pennsylvania, Alabama and China with a carrying amount of $2.8 million were written down to a fair value of zero, resulting in an impairment charge of $2.8 million, which was included in Other operating expense. This fair value measurement of the impaired assets was based on Level 3 inputs. The Level 3 inputs reflected management s determination that impaired leasehold improvement assets could not be transferred upon consolidation of operations into the new facility in Jackson, TN. In addition, it was management s

determination that machinery and equipment subject to the impairment charge was estimated to have zero net realizable value based on current utility.

Within the heavy-haul trailer business of the Transportation Products segment, during the three months ended June 30, 2009, property, plant and equipment relating to the expected closure of the facility in Brookville, PA with a carrying amount of $5.6 million were written down to a fair value of $1.8 million, resulting in an impairment charge of $3.8 million, which was included in Other operating expense. A fair value measurement of $1.6 million for land, building and leasehold improvements, which resulted in an impairment charge of $3.3 million, was based on Level 2 inputs. A fair value measurement of $0.2 million for machinery and equipment, which resulted in a $0.5 million impairment charge, was based on Level 3 inputs reflecting management s determination of the net realizable value of the assets.

(7) Employee and Non-Employee Stock Options & Incentive Plans

Stock Options

The Company uses the fair value method of accounting for employee stock-based compensation. Effective 2008, stock option awards vest one-third on the first anniversary of grant, one-third on the second anniversary of grant and the remaining one-third on the third anniversary of grant. Prior to 2008, stock option awards generally vested ratably within a period of two years, with the first one-third vesting immediately upon grant. Compensation expense related to stock options of $1.9 million and $1.0 million was recognized for the three months ended September 30, 2009 and 2008, respectively, and $5.8 million and $3.8 million for the nine months ended September 30, 2009 and 2008, respectively. The 2009 compensation expense amounts include additional expense related to the modification of vesting and termination provisions of certain stock option awards. The following table summarizes the stock option activity for the nine months ended September 30, 2009.

	Number of Shares		Weighted Average Exercise Price
Outstanding at January 1, 2009	2,814,003	$	33.91
Granted	1,602,795	$	19.60
Forfeited	(155,450)	$	23.74
Exercised	(25,200)	$	18.91
Outstanding at September 30, 2009	4,236,148	$	28.96

Restricted Stock and Restricted Stock Equivalent Units

Restricted shares are generally released to the recipient after a period of three years; however, 100,000 shares awarded to executive management in the second quarter of 2007 and 56,700 shares awarded to executive management in the first quarter of 2008 vest ratably over five years. Compensation expense related to restricted shares and restricted share unit awards of $1.6 million and $1.5 million was recognized for the three months ended September 30, 2009, and 2008, respectively, and $5.6 million and $5.2 million for the nine months ended September 30, 2009, and 2008, respectively. The 2009 compensation expense amounts include additional expense related to the modification of vesting and termination provisions of certain restricted shares.

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(8) Acquisitions

On September 18, 2009, the Company acquired the assets of Jerrik, Inc. (Jerrik), a recognized leader in the design and manufacture of highly engineered military and aerospace filter connections, for approximately $33 million. The acquisition expands the Company s range of products serving the defense and aerospace markets. The acquisition will allow for reduction of expenses through consolidation of certain sales, general and administrative functions and through in-house production of certain components, which were previously purchased by Jerrik from third parties. Jerrik is located in Tempe, AZ and is under the management direction of the interconnect technologies business, which is included in the Applied Technologies segment. The purchase price allocation is preliminary pending a third-party valuation of the fair values of assets acquired and liabilities assumed; however the initial allocation resulted in current assets of $8.8 million; property, plant and equipment of $2.0 million; goodwill of approximately $12.9 million, identified intangible assets of $10.6 million, and current liabilities of $1.3 million. Of the $10.6 million of acquired intangible assets, $0.2 million was assigned to trade names with determinable useful life of 2 years, $6.9 million was assigned to customer relationships with a determinable useful life of 19 years, and the remaining $3.5 million was assigned to other intangible assets with a weighted average useful life of 18 years. The goodwill from this acquisition is deductible for tax purposes.

On April 28, 2008, the Company acquired 100% of the equity of Carlyle Incorporated (Carlyle), a leading provider of sophisticated aerospace and network interconnection solutions, for a purchase price of approximately $194 million. Carlyle is located in Tukwila, WA and is under the management direction of the interconnect technologies business, which is included in the Applied Technologies segment. Carlyle added design and assembly capabilities in specialty in-flight entertainment systems and other interconnect solutions for the aerospace industry. The purchase price allocation resulted in goodwill of $122.3 million and identified intangible assets of $76.0 million. Of the $76.0 million of identified intangible assets, $75.0 million was assigned to customer relationships with a determinable useful life of 20 years and $1.0 million was assigned to covenants not to compete with a determinable useful life of 5 years. The goodwill from this acquisition is not deductible for tax purposes.

On January 25, 2008, the Company acquired 100% of the equity of both Dinex International, Inc. and Proex, Inc. (collectively Dinex), leading suppliers of foodservice products to the healthcare and other institutional industries, for approximately $96 million. Dinex has facilities in Glastonbury, CT and Batavia, IL, and is under the management direction of the foodservice business, which is included in the Applied Technologies segment. The acquisition has enhanced Carlisle s position in the higher growth healthcare sector. The purchase price allocation resulted in goodwill of $29.3 million and identified intangible assets of $49.8 million. Of the $49.8 million of identified intangible assets, $8.0 million was assigned to trade names that are not subject to amortization, $37.0 million was assigned to customer relationships with a weighted average useful life of 16.4 years, $1.0 million was assigned to patents with a determinable useful life of 6 years, and the remaining $3.8 million was assigned to other intangible assets with a weighted average useful life of 6.5 years. The goodwill from this acquisition is deductible for tax purposes.

(9) Discontinued Operations and Assets Held for Sale

In the second quarter of 2008, in keeping with the Company s plan to simplify its business and focus attention on its remaining businesses and operating segments, the Company announced its decision to pursue disposition of both its power transmission belt business and its on-highway friction and brake shoe business. The power transmission business continues to be actively marketed for sale. During the first quarter of 2009, the Company made the decision to exit, rather than sell, the on-highway friction and brake shoe business and dispose of the assets as part of a planned dissolution. In the second quarter of

2007, as part of its commitment to concentrate on its core businesses, the Company announced plans to exit the custom thermoset products molding operation (thermoset molding operation). The disposition of the thermoset molding operation was completed in 2008.

The assets of these operations have met the criteria for, and have been classified as held for sale . In addition, results of operations for these businesses, and any gains or losses recognized from their sale, are reported as discontinued operations .

Total assets held for sale were as follows:

In millions		**September 30, 2009**		**December 31, 2008**
Assets held for sale:				
Power transmission belt business	**$**	**90.4**	$	101.9
On-highway friction and brake shoe business		**0.5**		34.4
Thermoset molding operation		**1.7**		1.7
Total assets held for sale	**$**	**92.6**	$	138.0

At September 30, 2009, and December 31, 2008, the remaining assets of the thermoset molding operation consisted of land and building formerly utilized by the operation.

The major classes of assets and liabilities held for sale included in the Company s Consolidated Balance Sheets were as follows:

In millions		**September 30, 2009**		**December 31, 2008**
Assets held for sale:				
Receivables	**$**	**14.8**	$	26.0
Inventories		**30.6**		62.5
Prepaid expenses and other current assets		**1.1**		1.6
Total current assets held for sale		**46.5**		90.1
Property, plant and equipment, net		**46.1**		46.9
Other long term assets				1.0
Total non-current assets held for sale		**46.1**		47.9
Total assets held for sale	**$**	**92.6**	$	138.0
Liabilities associated with assets held for sale:				
Accounts payable	**$**	**7.4**	$	8.6
Accrued expenses		**6.7**		20.3
Total liabilities associated with assets held for sale	**$**	**14.1**	$	28.9

Net sales and income (loss) before income taxes from discontinued operations were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
In millions	**2009**		**2008**		**2009**		**2008**	
Net sales:								
Power transmission belt business	**$**	**28.1**	$	33.8	**$**	**90.1**	$	111.0
On-highway friction and brake shoe business		**2.9**		15.6		**20.0**		50.0
Thermoset molding operation				0.7				5.4
Net sales from discontinued operations	**$**	**31.0**	$	50.1	**$**	**110.1**	$	166.4
Income (loss) from discontinued operations:								
Power transmission belt business	**$**	**2.1**	$	3.9	**$**	**7.8**	$	(59.9)
On-highway friction and brake shoe business		**(0.3)**		(1.5)		**(12.1)**		(63.1)
Thermoset molding operation				(1.5)		**(0.1)**		(1.6)
Automotive components		**(0.2)**		(0.2)		**(0.3)**		(2.3)
Systems and equipment		**(0.2)**		0.2		**0.6**		
Income (loss) before income taxes from discontinued operations	**$**	**1.4**	$	0.9	**$**	**(4.1)**	$	(126.9)

Results for the three months ended September 30, 2009 included $0.8 million of contract termination costs related to the planned disposition of the on-highway friction and brake shoe business. Results for the nine months ended September 30, 2009 included $6.8 million of pretax expenses related to the planned disposition of the on-highway friction and brake shoe business, including an inventory write-down of $3.4 million, property, plant and equipment impairment costs of $0.8 million, severance costs of $1.8 million and $0.8 million of contract termination costs. Results for the nine months ended September 30, 2008 reflected $124.2 million in pretax impairment charges in connection with the power transmission belt and on-highway friction and brake shoe businesses.

(10) Inventories

The Company is a diversified manufacturing entity comprised of multiple domestic and foreign companies that operate as distinct businesses manufacturing different products. The First-in, First-out (FIFO   ) method was used to value inventories.

The components of inventories were as follows:

In millions	**September 30, 2009**		**December 31, 2008**	
Finished goods	**$**	**199.4**	$	288.1
Work-in-process		**31.8**		34.9
Raw materials		**116.1**		152.9
Reserves and variances - net		**(16.9)**		10.8
		330.4		486.7
Inventories associated with assets held for sale		**(30.6)**		(62.5)
Inventories	**$**	**299.8**	$	424.2

(11) Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2009 were as follows:

In millions		Construction Materials		Transportation Products		Applied Technologies		Specialty Products		Total
Balance at January 1, 2009	$	88.3	$	99.6	$	221.8	$	26.1	$	435.8
Goodwill acquired during year						12.9				12.9
Purchase accounting adjustments						(0.3)				(0.3)
Currency translation		0.4		0.3				0.2		0.9
Balance at September 30, 2009	**$**	**88.7**	**$**	**99.9**	**$**	**234.4**	**$**	**26.3**	**$**	**449.3**

The Company s other intangible assets at September 30, 2009 were as follows:

In millions		Acquired Cost		Accumulated Amortization		Net Book Value
Assets subject to amortization						
Patents	$	9.0	$	(7.7)	$	1.3
Customer Relationships		142.9		(20.9)		122.0
Other		12.0		(3.3)		8.7
Assets not subject to amortization						
Trade names		18.3				18.3
Other intangible assets, net	**$**	**182.2**	**$**	**(31.9)**	**$**	**150.3**

Estimated amortization expense for the remainder of 2009 and the next four years is as follows: $2.8 million remaining in 2009, $11.2 million in 2010, $10.9 million in 2011, $9.5 million in 2012 and $8.5 million in 2013.

(12) Retirement Plans and Other Post-retirement Benefits

Components of net periodic benefit cost were as follows:

In millions	Pension Benefits Three Months Ended September 30, 2009		Pension Benefits Three Months Ended September 30, 2008	Pension Benefits Nine Months Ended September 30, 2009		Pension Benefits Nine Months Ended September 30, 2008	Post-retirement Benefits Three Months Ended September 30, 2009		Post-retirement Benefits Three Months Ended September 30, 2008	Post-retirement Benefits Nine Months Ended September 30, 2009		Post-retirement Benefits Nine Months Ended September 30, 2008
Service costs - benefits earned during the quarter	**$ 1.2**	$	1.2	**$ 3.5**	$	3.5	**$**	$		**$**	$	
Discretionary contribution	**0.1**		0.1	**0.3**		0.3						
Interest cost on benefits earned in prior years	**2.6**		2.4	**7.8**		7.3			0.1	**0.1**		0.1
	(3.1)		(3.1)	**(9.2)**		(9.4)						

Expected return on plan assets								
Amortization of:								
Unrecognized net actuarial loss	**0.3**	0.1	**0.8**	0.4	**0.1**		**0.1**	0.1
Prior service costs	**(0.1)**		**(0.1)**	(0.1)				
Net periodic benefit costs	**$ 1.0**	$ 0.7	**$ 3.1**	$ 2.0	**$ 0.1**	$ 0.1	**$ 0.2**	$ 0.2

Contributions of $26.0 million were made to the pension plans during the quarter ended September 30, 2009. The Company has made contributions of $26.9 million to the pension plans through September 30, 2009, and does not expect to make any additional contributions for the remainder of 2009.

The Company maintains defined contribution plans to which it has contributed $6.8 million during the nine months ended September 30, 2009. Full year contributions are expected to approximate $9.0 million.

(13) Other Long-Term Liabilities

The components of other long-term liabilities were as follows:

In millions		**September 30, 2009**		**December 31, 2008**
Deferred taxes and other tax liabilities	**$**	**99.9**	$	92.4
Pension and other post-retirement obligations		**36.7**		60.5
Long-term warranty obligations		**1.5**		2.1
Other		**4.0**		4.8
Other long-term liabilities	**$**	**142.1**	$	159.8

(14) Commitments and Contingencies

The Company offers various warranty programs on its installed roofing systems, braking products, truck trailers, foodservice equipment and refrigerated truck bodies. The change in the Company s aggregate product warranty liabilities for the period ended September 30 was as follows:

In millions		**2009**		**2008**
Beginning reserve	**$**	**7.2**	$	7.4
Liabilities assumed in acquisition				0.7
Current year provision		**7.0**		9.3
Current year claims		**(7.8)**		(9.7)
Ending reserve	**$**	**6.4**	$	7.7

The amount of extended product warranty revenues recognized was $4.2 million and $11.9 million for the three and nine months ended September 30, 2009, respectively, and $4.1 million and $11.5 million for the three and nine months ended September 30, 2008, respectively.

(15) Segment Information

The Company manages its businesses under the following four operating groups and reporting segments:

- **Construction Materials:** the construction materials business;
- **Transportation Products:** the tire and wheel business and the heavy-haul trailer business;
- **Applied Technologies:** the interconnect technologies business and the foodservice products business; and
- **Specialty Products:** the off-highway braking business and the refrigerated truck bodies business.

Sales, operating income and assets of continuing operations by reportable segment are included in the following summary:

Three Months Ended September 30,	**2009**		**2008**	
In millions	**Sales(1)**	**Operating Income**	**Sales(1)**	**Operating Income**
Construction Materials	**$ 340.1**	**$ 60.3**	$ 448.1	$ 60.8
Transportation Products	**129.2**	**4.0**	205.2	8.7
Applied Technologies	**105.8**	**13.2**	131.2	12.7
Specialty Products	**29.5**	**0.9**	48.0	8.2
Corporate		**(7.7)**		(8.6)
Total	**$ 604.6**	**$ 70.7**	$ 832.5	$ 81.8

Nine Months Ended September 30,	**2009**			**2008**		
In millions	**Sales(1)**	**Operating Income**	**Assets**	**Sales(1)**	**Operating Income**	**Assets**
Construction Materials	**$ 862.2**	**$ 116.7**	**$ 639.3**	$ 1,171.8	$ 129.8	$ 785.5
Transportation Products	**470.8**	**44.9**	**429.2**	691.0	53.7	548.8
Applied Technologies	**311.5**	**30.4**	**566.3**	350.7	36.0	594.7
Specialty Products	**89.7**	**5.9**	**106.8**	134.4	21.7	122.9
Corporate		**(25.8)**	**103.8**		(24.0)	143.8
Total	**$ 1,734.2**	**$ 172.1**	**$ 1,845.4**	$ 2,347.9	$ 217.2	$ 2,195.7

(1) Excludes intersegment sales

A reconciliation of assets reported above to total assets as presented on the Company s Consolidated Balance Sheets is as follows:

	September 30 2009
Assets per table above	**$ 1,845.4**
Assets held for sale of discontinued operations	**92.6**
Total Assets per Consolidated Balance Sheet	**$ 1,938.0**

(16) Income Taxes

The Company s effective tax rate on continuing operations of 32.9% for the nine months ended September 30, 2009 varies from the statutory rate within the United States of 35.0% due primarily to the deduction attributable to U.S. production activities, earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate, and tax credits.

The total gross liability for uncertain tax positions at September 30, 2009 was $16.8 million compared to $18.6 million at December 31, 2008. The $1.8 million decrease in the accrual was primarily due to the resolution of audit issues. The Company classifies and reports interest and penalties associated with uncertain tax positions as Income tax expense on the Consolidated Statements of Earnings, and as other tax liabilities on the Consolidated Balance Sheets. The total amount of interest and penalties accrued at September 30, 2009 was $3.7 million. The entire balance accrued for uncertain tax positions at September 30, 2009, if recognized, would affect the Company s effective tax rate.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The Company has concluded all U.S. federal income tax examinations through 2007. Substantially all material state and foreign tax matters have been concluded for tax years through 2003. Within the next twelve months, federal, state and foreign audits may conclude and affect the amount of unrecognized tax benefits. The amount of the change in unrecognized tax benefits that may result from audits within the next twelve months is not known.

(17) Earnings Per Share

Basic earnings per share amounts are calculated by dividing Income from continuing operations, Income (loss) from discontinued operations, and Net income for the period attributable to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing Income from continuing operations, Income (loss) from discontinued operations, and Net income for the period attributable to common shareholders by the weighted-average number of common shares outstanding plus the weighted-average number of common shares that would be issued on conversion of all of the potentially-dilutive common shares into common shares.

The following reflects the Income from continuing operations and share data used in the basic and diluted earnings per share computations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions, except share and per share amounts	**2009**	**2008**	**2009**	**2008**
Numerator:				
Income from continuing operations	**$ 45.0**	$ 50.6	**$ 110.7**	$ 135.7
Less: dividends declared - common stock outstanding, unvested restricted shares and restricted share units	**(9.8)**	(9.5)	**(28.8)**	(27.2)
Undistributed earnings	**35.2**	41.1	**81.9**	108.5
Percent allocated to common shareholders (1)	**98.9%**	99.2%	**98.9%**	99.2%
	34.8	40.8	**81.0**	107.6
Add: dividends declared - common stock	**9.7**	9.4	**28.5**	26.9
Numerator for basic and diluted EPS	**$ 44.5**	$ 50.2	**$ 109.5**	$ 134.5
Denominator (in thousands):				
Denominator for basic EPS: weighted-average common shares outstanding	**60,612**			