

CARLISLE COMPANIES INC  
Form 10-Q  
April 26, 2011

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

OR

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**  
(State or other jurisdiction of  
incorporation or organization)

**31-1168055**  
(I.R.S. Employer Identification No.)

**13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina 28277**

(Address of principal executive office, including zip code)

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(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  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, 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

Accelerated filer

Non-accelerated filer

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

Shares of common stock outstanding at April 20, 2011: 61,211,401

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## Item 1. Financial Statements

## Carlisle Companies Incorporated

## Unaudited Consolidated Statements of Earnings

For the Three Months Ended

(Dollars in millions, except per share amounts)	2011	March 31,	2010
Net sales	\$	693.6	\$ 547.3
Cost and expenses:			
Cost of goods sold		546.5	435.3
Selling and administrative expenses		85.7	69.4
Research and development expenses		7.0	4.4
Other income, net		(0.8)	(0.6)
Earnings before interest and income taxes		55.2	38.8
Interest expense, net		5.1	1.9
Income before income taxes		50.1	36.9
Income tax expense		16.8	13.8
Income from continuing operations, net of tax		33.3	23.1
Discontinued operations			
Income from discontinued operations		0.1	1.7
Income tax expense			0.5
Income from discontinued operations, net of tax		0.1	1.2
Net income	\$	33.4	\$ 24.3
Basic earnings per share attributable to common shares			
Income from continuing operations, net of tax	\$	0.54	\$ 0.38
Income from discontinued operations, net of tax			0.02
Basic earnings per share	\$	0.54	\$ 0.40
Diluted earnings per share attributable to common shares			
Income from continuing operations, net of tax	\$	0.53	\$ 0.37
Income from discontinued operations, net of tax			0.02
Diluted earnings per share	\$	0.53	\$ 0.39
Dividends declared and paid per share	\$	0.170	\$ 0.160

See accompanying notes to these Unaudited Consolidated Financial Statements

## Carlisle Companies Incorporated

## Consolidated Balance Sheets

(Dollars in millions, except share and per share amounts)	March 31, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 104.2	\$ 89.4
Receivables, less allowance of \$9.8 in 2011 and \$9.7 in 2010	441.1	391.0
Inventories	444.5	430.5
Deferred income taxes	45.7	45.7
Prepaid expenses and other current assets	42.2	60.3
<b>Total current assets</b>	<b>1,077.7</b>	<b>1,016.9</b>
<b>Property, plant and equipment, net of accumulated depreciation of \$553.7 in 2011 and \$539.6 in 2010</b>	<b>531.5</b>	<b>533.4</b>
<b>Other assets:</b>		
Goodwill, net	665.6	667.1
Other intangible assets, net	293.3	297.9
Other long-term assets	10.3	12.6
Non-current assets held for sale	2.7	1.6
<b>Total other assets</b>	<b>971.9</b>	<b>979.2</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,581.1</b>	<b>\$ 2,529.5</b>
<b>Liabilities and Shareholders Equity</b>		
<b>Current liabilities:</b>		
Short-term debt, including current maturities	\$ 110.7	\$ 69.0
Accounts payable	213.7	195.4
Accrued expenses	136.2	174.9
Deferred revenue	16.8	17.1
<b>Total current liabilities</b>	<b>477.4</b>	<b>456.4</b>
<b>Long-term liabilities:</b>		
Long-term debt	405.2	405.1
Deferred revenue	121.2	122.6
Other long-term liabilities	207.4	204.7
<b>Total long-term liabilities</b>	<b>733.8</b>	<b>732.4</b>
<b>Shareholders equity:</b>		
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; 61,133,881 outstanding in 2011 and 61,024,932 outstanding in 2010	78.7	78.7
Additional paid-in capital	97.3	92.4
Cost of shares of treasury - 16,888,781 shares in 2011 and 17,011,676 shares in 2010	(224.4)	(221.6)
Accumulated other comprehensive loss	(33.9)	(38.1)
Retained earnings	1,452.2	1,429.3
<b>Total shareholders equity</b>	<b>1,369.9</b>	<b>1,340.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 2,581.1</b>	<b>\$ 2,529.5</b>

See accompanying notes to Unaudited Consolidated Financial Statements



## Carlisle Companies Incorporated

## Unaudited Consolidated Statements of Cash Flows

For the Three Months Ended

(Dollars in millions)	2011	March 31,	2010
<b>Operating activities</b>			
Net income	\$	33.4	\$ 24.3
Reconciliation of net income to cash flows from operating activities:			
Depreciation		18.4	14.5
Amortization		4.6	3.0
Non-cash compensation		3.8	3.6
Gain on sale of property and equipment, net		(0.3)	(3.8)
Deferred taxes		(0.2)	(1.1)
Change in tax benefits from stock-based compensation			(0.4)
Foreign exchange loss (gain)		0.6	(0.5)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
Current and long-term receivables		(42.1)	(58.4)
Inventories		(12.6)	(8.8)
Accounts payable and accrued expenses		(22.7)	4.7
Income taxes		16.2	6.4
Long-term liabilities		0.7	(0.6)
Other operating activities		(0.1)	0.2
<b>Net cash used in operating activities</b>		<b>(0.3)</b>	<b>(16.9)</b>
<b>Investing activities</b>			
Capital expenditures		(16.9)	(8.4)
Proceeds from sale of property and equipment		0.5	5.1
Proceeds from sale of business			20.3
<b>Net cash (used in) provided by investing activities</b>		<b>(16.4)</b>	<b>17.0</b>
<b>Financing activities</b>			
Net change in short-term borrowings and revolving credit lines		100.7	
Redemption of bonds		(59.0)	
Dividends		(10.5)	(9.8)
Treasury shares and stock options, net		(1.6)	0.1
Change in tax benefits from stock-based compensation			0.4
<b>Net cash provided by (used in) financing activities</b>		<b>29.6</b>	<b>(9.3)</b>
<b>Effect of exchange rate changes on cash</b>		<b>1.9</b>	<b>(0.5)</b>
<b>Change in cash and cash equivalents</b>		<b>14.8</b>	<b>(9.7)</b>
<b>Cash and cash equivalents</b>			
Beginning of period		89.4	96.3
End of period	\$	104.2	\$ 86.6

See accompanying notes to Unaudited Consolidated Financial Statements

**Notes to the Unaudited Consolidated Financial Statements**

**Note 1 - Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared by Carlisle Companies Incorporated (the Company or Carlisle ) in accordance and consistent with the accounting policies stated in the Company's Annual Report on 10-K and should be read in conjunction with the consolidated financial statements. The unaudited consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and, of necessity, include normal recurring adjustments and some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The unaudited consolidated financial statements include assets, liabilities, revenues, and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

**Note 2 Reclassifications and Revisions**

Certain reclassifications and revisions have been made to the previously filed information regarding the first quarter of 2010 included in the Company's Current Report on Form 8-K filed on December 3, 2010 as follows:

- The segment disclosures pertaining to the first quarter of 2010 in Note 14 have been revised to reflect the creation, in the fourth quarter of 2010, of the Carlisle Brake & Friction ( CBF ) reportable segment as discussed in the Company's 2010 Annual Report on Form 10-K.

**Note 3 - New Accounting Pronouncements**

*New accounting standards adopted*

There were no accounting standards adopted in the first quarter of 2011.

*New accounting standards issued but not yet adopted*

There are currently no accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations and cash flows upon adoption.

**Note 4 - Borrowings**

*5.125% Notes Due 2020*

On December 9, 2010, the Company completed a public offering of \$250.0 million of notes with a stated interest rate of 5.125% due December 15, 2020 (the 2020 Notes ), resulting in proceeds to the Company of approximately \$248.9 million. The proceeds were utilized to re-pay borrowings under the Company's Revolving Credit Facility that were used to partially finance the acquisition of Hawk.



*8.75% Hawk Senior Notes Due 2014*

In connection with the acquisition of Hawk on December 1, 2010, the Company assumed Hawk's 8.75% senior notes previously due November 1, 2014 (the Hawk senior notes). The Hawk senior notes were recorded at estimated fair value of \$59.0 million on the date of acquisition.

On January 10, 2011, the Company redeemed all of the outstanding Hawk senior notes for approximately \$59.1 million, of which \$57.1 million related to the outstanding principal amount, \$1.9 million related to a contractual redemption premium, and \$0.1 million for accrued and unpaid interest. There was no extinguishment gain or loss recorded as the carrying value and amount paid to redeem the Hawk senior notes were the same. The Company redeemed the Hawk senior notes using borrowings under its revolving credit facility. See Note 7 for further information regarding the Hawk acquisition.

*Other Matters*

At March 31, 2011, the fair value of the Company's 2020 Notes and the 2016 Notes, using the Level 2 inputs, is approximately \$247.0 million and \$158.9 million, respectively. Fair value is estimated based on current yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities. The Company estimates that the fair value of amounts outstanding under the revolving credit facility approximates its carrying value.

**Note 5 - Fair Value Measurements**

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 March 31, 2011	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	\$ 104.2	\$ 104.2	\$	\$
Short-term investments	6.2	6.2		
<b>Total</b>	<b>\$ 110.4</b>	<b>\$ 110.4</b>	<b>\$</b>	<b>\$</b>

**Note 6 Stock-Based Compensation**

During the three months ended March 31, 2011 and 2010, the Company expensed stock-based compensation awards under the 2004 Executive Incentive Program and the 2005 Nonemployee Director Equity Plan. A detailed description of the awards under these plans is included in the

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Company's Annual Report on Form 10-K for the year ended December 31, 2010.

*Stock-Based Compensation Expense*

The compensation cost recorded for all of the Company's share-based compensation plans during the three months ended March 31, 2011 and 2010 was as follows:

(in millions, except per share amounts)	For the Three Months Ended			
	March 31,		2010	
	2011		2010	
Pre-tax compensation expense	\$	3.8	\$	3.6
After-tax compensation expense	\$	2.5	\$	2.3
Impact on diluted EPS	\$	0.04	\$	0.04

*Grants*

In the first quarter of 2011 the Company awarded 631,855 stock options, 110,685 restricted stock awards and 108,075 performance share awards with an aggregate grant-date fair value of approximately \$16.8 million to be expensed over the requisite service period for each award which generally equals the stated vesting period.

The grant date fair value of the 2011 restricted stock awards, which are released to the recipient after a period of three years, is based on the closing market price of the stock on the day of grant.

The grant date fair value of the 2011 stock options with a three-year ratable vesting condition was estimated under the Black-Scholes-Merton formula using the following weighted-average assumptions:

Expected dividend yield	1.67%
Expected life in years	5.76
Expected volatility	31.99%
Risk-free interest rate	2.22%

The performance shares vest based on the employee rendering three years of service to the Company, and the attainment of a market condition over the performance period, which is based on the Company's relative total shareholder return versus a peer group of companies over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2011 performance shares was estimated using a Monte-Carlo simulation approach. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the peer group of companies. Those assumptions include expected volatility, risk-free interest rates, correlation coefficients and dividend reinvestment. Dividends accrue on the performance shares during the performance period and are to be paid in cash based upon the number of awards ultimately earned.



**Note 7 Acquisitions**Hawk Corporation

On December 1, 2010, the Company completed the acquisition of all of the outstanding equity of Hawk for a total cash purchase price of \$414.1 million. The Company funded the acquisition with cash on hand, borrowings under the Company's revolving credit facility, and the issuance of the \$250 million 2020 Notes. See Note 4 for further information regarding borrowings.

Hawk is a leading worldwide supplier of friction materials for brakes, clutches and transmissions. With this acquisition, the Company has created a comprehensive global braking solutions platform enabling it to provide a broader line of attractive products and increasing exposure to key emerging markets such as China, Brazil and India. Together with Carlisle's core industrial brake and friction product line, Hawk became part of the Carlisle Brake & Friction segment.

As of March 31, 2011, the fair values of the property, plant and equipment and other intangible assets are preliminary and subject to change pending receipt of the final third-party valuations for those assets. Also, the related current and deferred tax balances are preliminary and subject to change pending receipt of additional information regarding the deductibility of certain payments made in connection with the acquisition and final assessment of the acquisition date fair values and tax basis of the acquired assets and assumed liabilities, including any uncertain tax positions. There were no significant changes recorded in the first quarter of 2011 to the preliminary purchase price allocation initially performed in the fourth quarter of 2010 and as a result the amount of goodwill recorded related to the acquisition of Hawk was approximately \$215 million at March 31, 2011 and December 31, 2010.

**Note 8 Discontinued Operations and Assets Held for Sale**

On October 4, 2010, as part of its commitment to concentrate on its core businesses, the Company sold its specialty trailer business. The final purchase price is subject to an earn-out provision whereby the Company could receive an additional \$5 million in proceeds based on future earnings.

On February 2, 2010, the Company sold all of the interest in its refrigerated truck bodies business. The final purchase price is subject to certain indemnifications made to the buyer, which could reduce the gain in subsequent periods. The Company does not believe any such adjustments will result in a material change to the purchase price.

Total assets held for sale were as follows:

In millions	March 31, 2011	December 31, 2010
<b>Assets held for sale:</b>		
Thermoset molding operation	\$ 1.6	\$ 1.6

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Tire and wheel business		<b>1.1</b>		
Total assets held for sale	\$	<b>2.7</b>	\$	1.6

At March 31, 2011, the remaining assets of the thermoset molding operation consisted of the land and building it formerly occupied. The assets held for sale by the tire and wheel business relate to the land and building from its Carlisle, PA facility, which was consolidated into its Jackson, TN facility in 2010.

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

In millions	Three Months Ended March 31,	
	2011	2010
<b>Net sales:</b>		
Specialty trailer business	\$	\$ 14.7
Refrigerated truck bodies business		4.6
Net sales from discontinued operations	\$	\$ 19.3
<b>Income (loss) from discontinued operations:</b>		
Specialty trailer business	\$ (0.1)	\$ (0.2)
Refrigerated truck bodies business		0.3
On-highway friction and brake shoe business	(0.2)	1.8
Automotive components	0.4	(0.1)
Systems and equipment		(0.1)
Income (loss) before income taxes from discontinued operations	\$ 0.1	\$ 1.7

Results of the on-highway friction and brake shoe business for the three months ended March 31, 2010 included a \$2.1 million pretax gain on the sale of property.

#### Note 9 Inventories

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

The components of inventories as of March 31, 2011 and December 31, 2010 were as follows:

In millions	March 31,	December 31,
	2011	2010
Finished goods	\$ 272.6	\$ 256.7
Work-in-process	53.4	46.7
Raw materials	129.1	124.0
Capitalized variances	17.6	28.1
Reserves	(28.2)	(25.0)
Inventories	\$ 444.5	\$ 430.5





**Note 10 Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill for the three months ended March 31, 2011 were as follows:

In millions	Construction Materials	Transportation Products	Brake & Friction	Interconnect Technologies	FoodService Products	Disc. Ops	Total
Balance at January 1, 2011							
Goodwill	\$ 86.3	\$ 155.5	\$ 231.6	\$ 188.9	\$ 60.3	\$ 47.4	\$ 770.0
Accumulated impairment losses		(55.5)				(47.4)	(102.9)
	86.3	100.0	231.6	188.9	60.3		667.1
Currency translation	0.5		(2.0)				(1.5)
Goodwill	86.8	155.5	229.6	188.9	60.3	47.4	768.5
Accumulated impairment losses		(55.5)				(47.4)	(102.9)
<b>Balance at March 31, 2011</b>	<b>\$ 86.8</b>	<b>\$ 100.0</b>	<b>\$ 229.6</b>	<b>\$ 188.9</b>	<b>\$ 60.3</b>	<b>\$</b>	<b>\$ 665.6</b>

The Company's other intangible assets at March 31, 2011 were as follows:

In millions	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	\$ 58.1	\$ (8.7)	\$ 49.4
Customer Relationships	194.4	(35.8)	158.6
Other	16.9	(7.6)	9.3
Assets not subject to amortization:			
Trade names	76.0		76.0
<b>Other intangible assets, net</b>	<b>\$ 345.4</b>	<b>\$ (52.1)</b>	<b>\$ 293.3</b>

Estimated amortization expense for the remainder of 2011 and the next four years is as follows: \$13.4 million remaining in 2011, \$16.7 million in 2012, \$15.7 million in 2013, \$15.4 million in 2014 and \$15.0 million in 2015.

The net book value of the Company's Other intangible assets by reportable segment are as follows:

In millions	March 31, 2011	December 31, 2010
Carlisle Construction Materials	\$ 16.1	\$ 16.4
Carlisle Transportation Products	0.1	0.2
Carlisle Brake & Friction	149.3	151.3
Carlisle Interconnect Technologies	87.6	89.0
Carlisle FoodService Products	40.2	41.0
<b>Total</b>	<b>\$ 293.3</b>	<b>\$ 297.9</b>



**Note 11 Retirement Plans and Other Post-retirement Benefits**

Components of net periodic benefit cost were as follows:

In millions	Pension Benefits Three Months Ended March 31,		Post-retirement Benefits Three Months Ended March 31,	
	2011	2010	2011	2010
Service costs - benefits earned during the quarter	\$ 1.3	\$ 1.4	\$	\$
Interest cost on benefits earned in prior years	2.7	2.3	0.1	0.1
Expected return on plan assets	(3.7)	(3.2)		
Amortization of:				
Unrecognized net actuarial loss	1.1	0.6		
<b>Net periodic benefit costs</b>	<b>\$ 1.4</b>	<b>\$ 1.1</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>

The Company made no contributions to the pension plans during the quarter ended March 31, 2011. However, the Company expects to contribute approximately \$4.0 million to the pension plans in 2011.

The Company maintains defined contribution plans to which it has contributed \$3.0 million during the quarter ended March 31, 2011. Full year contributions are expected to approximate \$11.8 million.

**Note 12 Other Long-Term Liabilities**

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

In millions	March 31, 2011	December 31, 2010
Deferred taxes and other tax liabilities	\$ 179.2	\$ 179.4
Pension and other post-retirement obligations	18.8	18.3
Deferred compensation	6.0	5.6
Other	3.4	1.4
<b>Other long-term liabilities</b>	<b>\$ 207.4</b>	<b>\$ 204.7</b>

**Note 13 Commitments and Contingencies**

*Product Warranties*

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The Company offers various warranty programs on its products, primarily installed roofing systems, braking products, aerospace cables and assemblies, and foodservice equipment. The change in the Company's aggregate product warranty liabilities, including accrued costs and loss reserves associated with extended product warranties for the period ended March 31 is as follows:

In millions	March 31,	
	2011	2010
Beginning reserve	\$ 20.8	\$ 22.0
Liabilities disposed of by sale		(0.6)
Current year provision	3.7	3.6
Current year claims	(3.5)	(3.7)
Ending reserve	\$ 21.0	\$ 21.3

The Company also offers separately priced extended warranty contracts on sales of its installed roofing systems within the Construction Materials segment. Deferred revenue related to the Company's installed roofing systems was approximately \$136.5 million and \$128.7 million at March 31, 2011 and 2010, respectively, of which approximately \$121.2 million and \$113.8 million was classified as long-term in the Consolidated Balance Sheet, respectively. The amount of extended product warranty revenues recognized was \$3.9 million and \$3.8 for the first quarter of 2011 and 2010 respectively.

#### *Workers' Compensation, General Liability and Property Claims*

The Company is self-insured for workers' compensation, medical and dental, general liability and property claims up to applicable retention limits. Retention limits are \$1.0 million per occurrence for general liability, \$0.5 million per occurrence for workers' compensation, \$0.1 million per occurrence for property and up to \$0.5 million for medical claims. The Company is insured for losses in excess of these limits.

The Company has accrued approximately \$21.1 million and \$20.5 million related to workers' compensation claims at March 31, 2011 and 2010, respectively. The amounts recognized are presented in Accrued expenses in the Consolidated Balance Sheet. The liability related to workers' compensation claims, both those reported to the Company and those incurred but not yet reported, is estimated based on actuarial estimates and loss development factors and the Company's historical loss experience.

#### *Litigation*

The Company received written correspondence from the U. S. Immigration and Customs Enforcement Office of Investigations ( ICE ) dated March 11, 2010 indicating that it initiated an investigation relating to the classification of certain rubber tires imported by its tire and wheel operation within the Carlisle Transportation Products segment since 2004. The Company responded to ICE's inquiry and, on August 19, 2010, ICE informed the Company that it had terminated its investigation. The Company continues to work separately with U. S. Customs and Border Protection to properly classify its products.

At this time, the Company cannot predict or determine the amount of additional duties and/or civil fines or penalties, if any, owed as a result of this classification effort. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company.

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940 s and the mid-1980 s. In addition to compensatory awards, these lawsuits may also seek punitive damages.

Other than the matter described below, to date, the Company has obtained dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations or cash flows. The Company maintains insurance coverage that applies to a portion of certain of the Company s defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

On December 22, 2010, the Company settled a case involving alleged asbestos-related injury. The total amount of the award and related loss, inclusive of insurance recoveries, was approximately \$5.8 million, which was recorded in discontinued operations in the fourth quarter of 2010, as the related alleged asbestos-containing product was manufactured by the Company s former on-highway brake business.

Based on an ongoing evaluation, including the above matter, the Company believes that the resolution of its remaining pending asbestos claims will not have a material impact on the Company s financial condition, results of operations, or cash flows, although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

From time-to-time the Company may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company, but may have a material impact on the Company s results of operations for a particular period. There were no material legal expenses recognized during the first quarter of 2011 and 2010.

#### *Environmental Matters*

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners or operators releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. The nature of the Company s operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired could potentially result in material environmental liabilities.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation could require the Company to incur

expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

#### Note 14 - Segment Information

The Company manages and reports its results under the following segments:

- **Carlisle Construction Materials:** The principal products of this segment are rubber (EPDM) and thermoplastic polyolefin (TPO) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.
- **Carlisle Transportation Products:** The principal products of this segment include bias-ply, steel belted radial trailer tires, stamped or roll-formed steel wheels, tires, and tire and wheel assemblies, as well as industrial belts and related components. The markets served include lawn and garden, power sports, agriculture, and construction.
- **Carlisle Brake & Friction:** The principal products of this segment include high-performance brakes and friction material, clutches and transmissions for the mining, construction, aerospace, agriculture, high-performance racing, and alternative energy markets.
- **Carlisle Interconnect Technologies:** The principal products of this segment are high-performance wire, cable, connectors and cable assemblies, including RF/microwave connectors and cable assemblies primarily for the aerospace, defense electronics, and test and measurement equipment markets.
- **Carlisle Foodservice Products:** The principal products of this group include commercial and institutional foodservice permanentware, table coverings, cookware, catering equipment, fiberglass and composite material trays and dishes, industrial brooms, brushes, mops and rotary brushes for commercial and non-commercial foodservice operators, healthcare, and sanitary maintenance professionals.

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

Three Months Ended March 31, In millions	2011			2010		
	Sales(1)	EBIT	Assets(2)	Sales(1)	EBIT	Assets(2)
Carlisle Construction Materials	\$ 251.3	\$ 18.0	\$ 607.4	\$ 216.5	\$ 19.3	\$ 569.9
Carlisle Transportation Products	209.1	15.0	586.9	189.6	11.5	531.4
Carlisle Brake & Friction	110.8	18.2	675.5	22.5	2.1	82.6
Carlisle Interconnect Technologies	65.7	8.9	409.3	61.9	7.8	396.9
Carlisle FoodService Products	56.7	5.5	214.8	56.8	6.5	214.9
Corporate		(10.4)	85.6		(8.4)	106.6
Total	\$ 693.6	\$ 55.2	\$ 2,579.5	\$ 547.3	\$ 38.8	\$ 1,902.3

(1) Excludes intersegment sales

(2) Corporate assets include assets of discontinued operations not classified as held for sale

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

	March 31, 2011
Assets per table above	\$ 2,579.5
Assets held for sale of discontinued operations	1.6
Total Assets per Consolidated Balance Sheet	\$ 2,581.1

#### Note 15 - Income Taxes

The effective income tax rate on continuing operations for the three months ended March 31, 2011 was 33.5% compared to an effective income tax rate of 37.4% for the three months ended March 31, 2010. The effective tax rate of 33.5% varies from the statutory rate with 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.



**Note 16 - Earnings Per Share**

The following reflects the Income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

	<b>Three Months Ended March 31,</b>	
<b>Numerator:</b>		
Income from continuing operations	\$ 33.3	\$ 23.1
Less: dividends declared - common stock outstanding, unvested restricted shares and restricted share units	(10.5)	(9.8)
Undistributed earnings	22.8	13.3
Percent allocated to common shareholders (1)	99.0%	98.9%
	<b>22.6</b>	<b>13.1</b>
Add: dividends declared - common stock	10.4	9.7
Numerator for basic and diluted EPS	\$ 33.0	\$ 22.8
<b>Denominator (in thousands):</b>		
Denominator for basic EPS: weighted-average common shares outstanding	61,134	60,706
<b>Effect of dilutive securities:</b>		
Performance awards	209	102
Stock options	838	704
Denominator for diluted EPS: adjusted weighted average common shares outstanding and assumed conversion	62,181	61,512
<b>Per share income from continuing operations:</b>		
Basic	\$ 0.54	\$ 0.38
Diluted	\$ 0.53	\$ 0.37
<hr/>		
(1) Basic weighted-average common shares outstanding	61,134	60,706
Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units	61,769	61,412
Percent allocated to common shareholders	99.0%	98.9%

To calculate earnings per share for the Income from discontinued operations and for Net income, the denominator for both basic and diluted earnings per share is the same as used in the above table. The Income from discontinued operations and Net income were as follows:

In millions	Three Months Ended March 31,	
	2011	2010
Income from discontinued operations attributable to common shareholders for basic and diluted earnings per share	\$ 0.1	\$ 1.2
Net income attributable to common shareholders for basic and diluted earnings per share	\$ 33.1	\$ 24.0

In the first quarter of 2011 and 2010, options to purchase 1,330,855 and 1,305,920 underlying shares of common stock, respectively, were excluded from the computation of diluted earnings per share because the average market price for the period exceeded the options' related exercise prices.

#### Note 17 - Comprehensive Income

Total comprehensive income consisted of the following:

In millions	Three Months Ended March 31,	
	2011	2010
Net income	\$ 33.4	\$ 24.3
Other comprehensive income (loss):		
Foreign currency translation, net of tax	3.6	(2.3)
Minimum pension liability, net of tax	0.7	0.4
Loss on hedging activities, net of tax	(0.1)	(0.1)
Other comprehensive income (loss)	4.2	(2.0)
Comprehensive income	\$ 37.6	\$ 22.3

Loss on hedging activities, net of tax included in Other comprehensive (loss) income for the three months ended March 31, 2011 represented the amortization of a \$5.6 million (\$3.5 million, net of tax) gain in Accumulated other comprehensive loss resulting from the termination of treasury lock contracts on August 15, 2006. At March 31, 2011, the Company had a remaining unamortized gain of \$3.0 million (\$1.9 million, net of tax) which is reflected in Accumulated other comprehensive loss on the Company's Consolidated Balance Sheets. Approximately \$0.4 million (\$0.3 million, net of tax) is expected to be amortized to reduce Interest expense, net during the remainder of 2011.

**Note 18 - Exit and Disposal Activities**

The following table represents the effect of exit and disposal activities related to continuing operations on the Company's Consolidated Statements of Earnings for the three months ended March 31, for 2011 and 2010, respectively:

In millions	First Quarter	
	2011	2010
Cost of goods sold	\$ 2.4	\$ 2.8
Research and development expenses		0.1
Total exit and disposal costs	\$ 2.4	\$ 2.9

Exit and disposal activities by type of charge were as follows:

In millions	First Quarter	
	2011	2010
Termination benefits	\$ 0.3	\$ 1.9
Other associated costs	2.1	1.0
Total exit and disposal costs	\$ 2.4	\$ 2.9

Exit and disposal accrual activities for the quarter ended March 31, 2011 were as follows:

In millions	Severance	Other	Total
	Costs	Associated Costs	
Balance at December 31, 2010	\$ 3.1	\$ 1.1	\$ 4.2
2011 charges to expense and adjustments	0.3	2.1	2.4
2011 usage	(2.6)	(2.5)	(5.1)
Balance at March 31, 2011	\$ 0.8	\$ 0.7	\$ 1.5

Exit and disposal activities by segment were as follows:

In millions	First Quarter	
	2011	2010
Total by segment		
Carlisle Transportation Products	\$ 2.0	\$ 2.0
Carlisle Brake & Friction	0.4	0.3
Carlisle Interconnect Technologies		