

FEDERAL SIGNAL CORP /DE/

Form 10-Q

October 26, 2007

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number: 1-6003

Federal Signal Corporation

(Exact name of Company as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-1063330
(I.R.S. Employer
Identification No.)

1415 West 22nd Street
Oak Brook, IL 60523
(Address of principal executive offices) (Zip code)
(630) 954-2000
(Company's telephone number including area code)

Not applicable

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

Indicate by check mark whether the Company (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 Company 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 Company 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

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Company 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 Company's classes of common stock, as of the latest practicable date.

Title
Common Stock, \$1.00 par value 47,915,667 shares outstanding at October 12, 2007

**FEDERAL SIGNAL CORPORATION
INDEX TO FORM 10-Q**

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2007 and 2006</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2007 and 2006</u>	5
<u>Condensed Consolidated Balance Sheets as of September 30, 2007 and December 31, 2006</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2007 and 2006</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	19
<u>Item 4. Controls and Procedures</u>	19
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	19
<u>Item 1A. Risk Factors</u>	19
<u>Item 5. Other Information</u>	20
<u>Item 6. Exhibits</u>	20
<u>Signature</u>	21
<u>Exhibit Index</u>	22
<u>PIPS US Purchase Agreement</u>	
<u>PIPS UK Purchase Agreement</u>	
<u>Amended Credit Facility Agreement</u>	
<u>Gustafson Separation and Consulting Agreements</u>	
<u>302 Certification of CEO</u>	
<u>906 Certification of CFO</u>	
<u>906 Certification of CEO</u>	
<u>906 Certification of CFO</u>	
<u>Press Release</u>	

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

FORWARD-LOOKING STATEMENTS

This Form 10-Q, reports filed by Federal Signal Corporation and Subsidiaries (the Company) with the Securities and Exchange Commission (SEC) and comments made by management may contain words such as may, will, believe, expect, anticipate, intend, plan, project, estimate and objective or the negative thereof or similar expressions concerning the Company s future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning the Company s possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause the Company s actual results, performance or achievements to be materially different.

These risks and uncertainties, some of which are beyond the Company s control, include the cyclical nature of the Company s industrial and municipal markets, technological advances by competitors, the Company s ability to improve its operating performance in its fire rescue plants, risks associated with dealers and distributors, risks associated with system conversions, increased warranty and product liability expenses, risks associated with supplier and other partner alliances, changes in cost competitiveness including those resulting from foreign currency movements, disruptions in the supply of parts or components from sole source suppliers and subcontractors, retention of key employees and general changes in the competitive environment in which the Company operates.

ADDITIONAL INFORMATION

The Company makes its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, other reports and information filed with the SEC and amendments to those reports available, free of charge, through its Internet website (<http://www.federalsignal.com>) as soon as reasonably practical after it electronically files or furnishes such materials to the SEC. All of the Company s filings may be read or copied at the SEC s Public Reference Room at 100 F. Street, N.E., Room 1580, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-202-551-8090. The SEC maintains an Internet website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(\$ in millions, except share data)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net revenue	\$ 307.3	\$ 289.4	\$ 916.8	\$ 872.5
Costs and expenses:				
Cost of sales	(235.1)	(218.7)	(697.1)	(667.9)
Selling, general and administrative	(61.1)	(52.7)	(172.6)	(156.4)
Operating income	11.1	18.0	47.1	48.2
Interest expense	(6.4)	(5.9)	(18.1)	(18.1)
Other expense, net	(0.3)	(0.6)	(1.4)	(1.1)
Income before income taxes	4.4	11.5	27.6	29.0
Income tax benefit (expense)	0.4	(2.0)	(5.8)	(7.6)
Income from continuing operations	4.8	9.5	21.8	21.4
Gain (loss) from discontinued operations and disposal, net of income tax (expense) benefit, of \$(0.0), \$(0.0), \$(6.3) and \$3.3, respectively	(0.3)	(0.3)	24.4	(14.0)
Net income	\$ 4.5	\$ 9.2	\$ 46.2	\$ 7.4
COMMON STOCK DATA:				
Basic and diluted earnings per share:				
Earnings from continuing operations	\$ 0.10	\$ 0.20	\$ 0.46	\$ 0.44
Gain (loss) from discontinued operations and disposal	(0.01)	(0.01)	0.51	(0.29)
Earnings per share	\$ 0.09	\$ 0.19	\$ 0.97	\$ 0.15
Weighted average common shares outstanding:				
Basic	47.8	47.9	47.9	48.1
Diluted	47.8	47.9	47.9	48.1
Cash dividends per share of common stock	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18

See notes to condensed consolidated financial statements.

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net income	\$ 4.5	\$ 9.2	\$ 46.2	\$ 7.4
Other comprehensive income (loss), net of tax				
- Foreign currency translation adjustments	3.0	0.4	9.4	7.6
Net derivative (loss) income, cash flow hedges	(1.2)	(0.4)	(2.6)	(1.8)
Amortization of actuarial pension loss, net (post SFAS 158 adoption)	0.4		0.4	
Minimum pension liability (pre SFAS 158 adoption)		10.1		10.1
Comprehensive income	\$ 6.7	\$ 19.3	\$ 53.4	\$ 23.3

See notes to condensed consolidated financial statements.

5

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

<i>(\$ in millions)</i>	September 30, 2007	December 31, 2006 (a)
ASSETS		
Manufacturing activities:		
Current assets		
Cash and cash equivalents	\$ 23.5	\$ 19.3
Accounts receivable, net of allowances for doubtful accounts of \$5.0 million and \$3.0 million, respectively	173.0	192.1
Inventories	227.7	174.2
Other current assets	36.6	33.2
Total current assets	460.8	418.8
Properties and equipment, net	95.1	85.7
Other assets		
Goodwill, net of accumulated amortization	387.7	310.6
Intangible assets, deferred charges and other assets	86.2	17.6
Total manufacturing assets	1,029.8	832.7
Assets of discontinued operations	4.8	57.8
Financial services activities Lease financing and other receivables, net of allowances for doubtful accounts of \$4.0 million	137.1	158.9
Total assets	\$ 1,171.7	\$ 1,049.4
LIABILITIES AND SHAREHOLDERS EQUITY		
Manufacturing activities:		
Current liabilities		
Short-term borrowings	\$ 3.7	\$ 30.3
Current portion of long-term borrowings	35.1	34.4
Accounts payable	87.4	90.0
Customer deposits	27.6	23.0
Accrued liabilities and income taxes	93.6	96.2
Total current liabilities	247.4	273.9
Long-term borrowings	273.8	160.3
Long-term pension and other liabilities	26.8	27.9
Deferred income taxes	45.4	20.7
Total manufacturing liabilities	593.4	482.8
Liabilities of discontinued operations	15.0	31.2
Financial services activities Borrowings	128.8	149.0
Total liabilities	737.2	663.0
Shareholders equity		

Edgar Filing: FEDERAL SIGNAL CORP /DE/ - Form 10-Q

Common stock, \$1 par value per share, 90.0 million shares authorized, 49.5 million and 49.1 million shares issued, respectively	49.4	49.1
Capital in excess of par value	103.5	99.8
Retained earnings	327.7	290.7
Treasury stock, 1.5 million shares at cost	(30.1)	(30.1)
Accumulated other comprehensive loss	(16.0)	(23.1)
Total shareholders' equity	434.5	386.4
Total liabilities and shareholders' equity	\$ 1,171.7	\$ 1,049.4

(a) The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date. See notes to condensed consolidated financial statements.

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(\$ in millions)	Nine months ended September	
	2007	30, 2006
Operating activities:		
Net income	\$ 46.2	\$ 7.4
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on discontinued operations and disposal	(24.4)	14.0
Depreciation and amortization	14.9	14.2
Stock based compensation expense	3.9	4.3
Lease financing and other receivables	21.7	13.6
Pension contributions	(6.2)	(11.1)
Working capital ⁽¹⁾	(16.9)	(36.8)
Other	1.3	17.9
Net cash provided by continuing operating activities	40.5	23.5
Net cash used for discontinued operating activities		(8.8)
Net cash provided by operating activities	40.5	14.7
Investing activities:		
Purchases of properties and equipment	(19.0)	(14.3)
Payment for acquisitions, net of cash acquired	(139.2)	
Other, net	(1.7)	(1.4)
Net cash used for continuing investing activities	(159.9)	(15.7)
Net cash provided by (used for) discontinued investing activities	65.4	(0.9)
Net cash used for investing activities	(94.5)	(16.6)
Financing activities:		
(Decrease) increase in short-term borrowings, net	(26.5)	3.9
Proceeds from issuance of long-term borrowings	202.9	23.6
Payments on long-term borrowings	(110.2)	(76.2)
Purchases of treasury stock		(12.0)
Cash dividends paid to shareholders	(8.6)	(8.7)
Other, net	(0.2)	(0.5)
Net cash provided by (used for) continuing financing activities	57.4	(69.9)
Net cash provided by (used for) financing activities	57.4	(69.9)
Increase (decrease) in cash and cash equivalents	3.4	(71.8)
Effects of foreign exchange rate changes on cash	0.8	

Edgar Filing: FEDERAL SIGNAL CORP /DE/ - Form 10-Q

Cash and cash equivalents at beginning of period	19.3	91.9
Cash and cash equivalents at end of period	\$ 23.5	\$ 20.1

(1) Working capital is composed of net accounts receivable, inventories, accounts payable and customer deposits. See notes to condensed consolidated financial statements.

7

Table of Contents

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**1. BASIS OF PRESENTATION**

The condensed consolidated financial statements of Federal Signal Corporation and subsidiaries (the Company) included herein have been prepared by the Company, without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

In the opinion of the management of the Company, the information contained herein reflects all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the interim periods. Such adjustments are of a normal recurring nature. The operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year of 2007.

The Company reports its interim quarterly periods on a 13-week basis ending on a Saturday with the fiscal year ending on December 31. For convenience purposes, the Company uses September 30, 2006 to refer to its financial position as of October 1, 2006 and its results of operations for the 13-week and 39-week periods ended October 1, 2006. It also uses September 30, 2007 to refer to its financial position as of September 29, 2007 and its results of operations for the 13-week and 39-week periods ending September 29, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

Reclassifications: Certain balances in 2006 have been reclassified to conform to the 2007 presentation. Included with the reclassifications are restatements for discontinued operations. The discontinued operations arise out of the Tool segment.

Changes in presentation of statements of operations: In 2006, the Company began classifying certain selling, general and administrative expenses in cost of sales. This reclassification is reflected in all periods presented. The impact of this reclassification resulted in an increase in cost of sales and a corresponding decrease in selling, engineering, general and administrative expenses of \$6.0 million and \$19.2 million in the three and nine months ended September 30, 2006.

Earnings per share: Basic earnings per share (EPS) is computed by dividing net income by the weighted average common shares outstanding, which totaled 47.8 million and 47.9 million for the quarters ended September 30, 2007 and 2006, respectively, and 47.9 million and 48.1 million for the nine month periods ended September 30, 2007 and 2006, respectively. Diluted earnings per share is calculated by dividing net income by the weighted average common shares outstanding plus additional common shares that would have been outstanding assuming the exercise of stock options that are dilutive. The Company uses the treasury stock method to calculate dilutive shares. The weighted average number of shares outstanding, for diluted earnings per share were 47.8 million and 47.9 million for the quarters ended September 30, 2007 and 2006, respectively, and 47.9 million and 48.1 million for the nine months ended September 30, 2007 and 2006, respectively. In 2007 and 2006, options to purchase 2.2 million and 2.0 million shares of common stock, respectively, were excluded from the calculation of the number of shares outstanding for diluted EPS for the three months ended September 30, 2007 and 2006, respectively because their effects were antidilutive. For diluted EPS, for the nine months ended September 30, in each of 2007 and 2006, options to purchase 2.1 million and 1.7 million shares of common stock, respectively, were excluded from the calculation of the number of shares outstanding as their effects were antidilutive.

3. INVENTORIES

Inventories are summarized as follows:

September 30, 2007	December 31, 2006
-----------------------------------	----------------------------------

Edgar Filing: FEDERAL SIGNAL CORP /DE/ - Form 10-Q

Raw materials	\$	84.6	\$	73.9
Work in progress		56.1		40.8
Finished goods		87.0		59.5
Total inventories	\$	227.7	\$	174.2

Table of Contents**4. INCOME TAXES**

The Company's effective tax rate was (9.1)% and 20.9% for the three and nine months ended September 30, 2007, respectively, and 17.4% and 26.2% for the three and nine months ended September 30, 2006, respectively.

The lower tax rates for the three and nine month periods ending September 30, 2007 reflect R & D tax credit benefits that were not reflected in the three and nine month periods ended September 30, 2006, as Congress had not yet extended the credit. The lower tax rates also reflect additional benefits for foreign tax effects; including a \$1.2 million benefit related to dividends from overseas operations, for the three and nine month periods ending September 30, 2007.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of FIN48, the Company recognized approximately \$0.7 million of an increase to the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

At January 1, 2007, the Company's unrecognized tax benefits totaled approximately \$7.6 million, of which amount the recognition of \$3.8 million would have an impact on the effective rate. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had \$1.4 million accrued for interest and penalties at January 1, 2007. As of September 30, 2007, there has been no significant adjustment to these estimates. The Company's US Federal Income Tax returns are open to examination for the years 2004 - 2006. The Company's Illinois income tax returns are currently under examination for the years 2001 - 2005. To date, there are no proposed adjustments that will have a material impact on the Company's financial position or results of operations.

5. POSTRETIREMENT BENEFITS

The components of the Company's net periodic pension expense for its defined benefit pension plans are summarized as follows:

	US Benefit Plans				Non-US Benefit Plan			
	Three months ended September 30, 2007		Nine months ended September 30, 2007		Three months ended September 30, 2006		Nine months ended September 30, 2006	
Service cost	\$ 0.4	\$ 0.9	\$ 1.4	\$ 3.4	\$ 0.1	\$	\$ 0.3	\$ 0.1
Interest cost	2.2	2.1	6.6	6.5	0.8	0.5	2.4	1.8
Expected return on plan assets	(2.8)	(2.5)	(8.2)	(7.4)	(1.0)	(0.7)	(3.0)	(2.6)
Curtailment		1.3		1.3				
Amortization of actuarial loss	0.6	0.2	1.2	1.3	0.1	0.1	0.3	0.4
Net periodic pension expense (income)	\$ 0.4	\$ 2.0	\$ 1.0	\$ 5.1	\$	\$ (0.1)	\$	\$ (0.3)

On July 17, 2006, an amendment to the Company's U.S. defined benefit plans for all of the Company's employees, except for Tool segment employees and University Park, Illinois IBEW employees within the Safety and Security Systems Group, was approved by the Company's Board of Directors. The amendment froze service accruals for these employees as of December 31, 2006. Participants will, however, continue to accrue benefits resulting from future salary increases through 2016. As a result of the amendment, the Company was required to recognize a curtailment loss in accordance with SFAS No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits due to the recognition of prior service costs. The Company recognized a curtailment loss of \$1.3 million measured at July 1, 2006, which is recorded in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2006 and is recognized in the table above, reflecting

the unamortized portion of prior benefit charges.

The remeasurement of these defined benefit plans at July 1, 2006 as a result of the amendment generated a \$0.8 million reduction in pension expense for the three and nine months ended September 30, 2006. The remeasurement included a change in the weighted average discount rate from 5.75% used at year-end 2005 to 6.5% at the July 1, 2006 measurement date, the impact of which is included in the table above. The PBO was reduced by \$24.0 million and the ABO by \$16.0 million as a result of these changes.

Table of Contents

The Company contributed \$5.0 million and \$10.0 million to its U.S. defined benefit plans and \$1.2 million and \$1.1 million to its non-U.S. defined benefit plans during the nine months ended September 30, 2007 and 2006, respectively.

6. DEBT

The Company has a \$250.0 million line under its Revolving Credit Agreement. On September 6, 2007 Federal Signal of Europe B.V. y CIA , SC, a restricted subsidiary of the Company, entered into a Supplemental Agreement to the Company s Second Amended and Restated Credit Agreement (Credit Agreement) whereby Federal Signal of Europe B.V. y CIA , SC, became a Designated Alternative Currency Borrower for the purpose of making swing loans denominated in Euros.

As of September 30, 2007, 25.4 million euros were drawn on the Supplemental Agreement and \$95.0 million USD were drawn on the Credit Agreement for a total of \$130.9 million USD drawn under the Credit Agreement.

7. ACQUISITIONS

On January 15, 2007 the Company acquired the net assets of Codespear LLC, a Birmingham, Michigan based, privately held developer of specialized software used in emergency management situations, for \$16.6 million in cash plus an additional \$0.8 million payment based on working capital and contingent consideration adjustments which were finalized in the third quarter. In addition there are potential additional earnout payments for up to three years following the transaction, if specific performance targets are met. Any additional payments related to this contingency will be accounted for as additional goodwill. As of September 30, 2007 as a result of the acquisition, the Company recorded the addition of \$12.5 million of goodwill and \$5.3 million of acquired developed software. The results, since the date of acquisition have been included in the Safety and Security Systems segment.

On July 25, 2007, the Company acquired the net assets of Riverchase Technologies, a software development firm that specializes in serving the municipal safety market and includes a suite of products for small to medium size municipalities that includes CAD, RMS, mobile data, mobile video and mobile handheld solutions which enable emergency response agencies to manage and communicate remotely with their fleets. The purchase price was \$6.8 million in cash plus additional payments for working capital adjustments, as well as potential earnout payments for up to two years following the transaction, if specific performance targets are met. As of September 30, 2007 as a result of the acquisition, the Company recorded the addition of \$ 3.0 million of goodwill and \$3.6 million of acquired developed software . The results, since the date of acquisition have been included in the Safety and Security Systems segment.

On August 6, 2007, the Company acquired 100% of the voting interests in PIPS Technology Limited, a private company limited by shares incorporated in England and Wales, (the UK Company), and PIPS Technology, Inc., a Tennessee corporation (the US Company), together referred to as PIPS Technology companies (PIPS Technologies). PIPS Technologies is a global leader in the design and manufacture of automated license plate recognition (ALPR) technology and optical character recognition software. ALPR solutions are used in control and surveillance applications in markets such as traffic and tolling, law enforcement, public safety and access control. ALPR-enabled cameras are used on emergency vehicles and mounted on stationary support structures at access entry and tolling points to capture license plate details for tolling, congestion zone charging and law enforcement purposes. The results, since the date of acquisition have been included in the Safety and Security Systems segment.

PIPS Technologies was acquired for approximately \$115.5 million in cash plus acquisition related costs of approximately \$2.2 million. The purchase price is subject to additional payments for working capital adjustments, as well as potential earnout payments through 2010, if specific performance targets are met. The acquisition was funded through available cash balances and borrowings under the Company s credit facility.

The preliminary allocation of the purchase price is shown in the table below. The allocation will be finalized when the valuation is completed and fair value adjustments are known.

Table of Contents

(\$ s in million)

Goodwill	\$ 57.4
Intangible assets:	
Customer relationships	15.3
Technology	18.6
Trade name	23.7
Plant, property & equipment	0.8
Deferred tax asset	5.9
Deferred tax liability	(10.5)
Other assets acquired and liabilities assumed	6.5
Total preliminary allocation of acquisition cost	\$ 117.7

Goodwill and trade name intangible assets have indefinite lives and therefore will not be subject to amortization, but will instead be subject to an annual impairment test. The fair value attributed to technology is based upon the results of a third party valuation specialist's preliminary evaluation. If the Company's final evaluation determines that there is technology that is still in development that has no alternate use, then some portion of these costs may be expensed. Customer relationships will be amortized over 15 years and technology over 10 years.

The unaudited financial information in the table below summarizes the combined results of operations of the Company and PIPS Technologies, on a pro forma basis, as though PIPS Technologies had been acquired as of January 1, 2006. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period or of results that may occur in the future.

(\$ s in million)	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Net revenue	\$310.1	\$293.8	\$930.7	\$894.2
Income from continuing operations	5.0	8.8	21.6	22.9
Net income	4.7	8.5	46.0	8.9
Earnings per share from continuing operations basic and diluted	\$ 0.10	\$ 0.18	\$ 0.45	\$ 0.48

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the nine months ended September 30, 2007, by operating segment, were as follows:

Safety Security Systems	Fire Rescue	Environmental Solutions	Tool
-------------------------------	----------------	----------------------------	------