

TELEDYNE TECHNOLOGIES INC

Form 10-Q

November 02, 2007

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

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

**For the quarterly period ended September 30, 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 1-15295**

**TELEDYNE TECHNOLOGIES INCORPORATED**  
(Exact name of registrant as specified in its charter)

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

**25-1843385**  
(I.R.S. Employer  
Identification Number)

**1049 Camino Dos Rios  
Thousand Oaks, California**  
(Address of principal executive offices)

**91360-2362**  
(Zip Code)

**(805) 373-4545**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Class	Outstanding at October 31, 2007
Common Stock, \$.01 par value per share	35,098,892 shares

**TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Amounts in millions, except share amounts)

	September 30, 2007 (Unaudited)	December 31, 2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16.1	\$ 13.0
Receivables, net	236.5	226.1
Inventories, net	182.7	155.8
Deferred income taxes, net	36.0	34.4
Prepaid expenses and other	13.5	17.5
<b>Total current assets</b>	<b>484.8</b>	<b>446.8</b>
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$211.0 at September 30, 2007 and \$203.1 at December 31, 2006	175.1	164.8
Deferred income taxes, net	44.6	38.6
Goodwill, net	350.6	313.6
Acquired intangibles, net	61.2	69.4
Other assets	34.2	28.2
<b>Total Assets</b>	<b>\$ 1,150.5</b>	<b>\$ 1,061.4</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 101.5	\$ 94.1
Accrued liabilities	170.5	135.1
Current portion of long-term debt and capital lease obligation	1.1	1.2
<b>Total current liabilities</b>	<b>273.1</b>	<b>230.4</b>
Long-term debt and capital lease obligation	180.1	230.7
Accrued pension obligation	39.7	38.4
Accrued postretirement benefits	23.3	24.4
Minority interest	8.2	5.7
Other long-term liabilities	107.7	100.0
<b>Total Liabilities</b>	<b>632.1</b>	<b>629.6</b>

**Stockholders Equity**

Common stock, \$0.01 par value; outstanding shares 35,061,424 at September 30, 2007 and 34,719,700 at December 31, 2006	0.4	0.3
Additional paid-in capital	202.4	188.0
Retained earnings	357.5	285.8
Accumulated other comprehensive loss	(41.9)	(42.3)
<b>Total stockholders equity</b>	<b>518.4</b>	<b>431.8</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,150.5</b>	<b>\$ 1,061.4</b>

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES				
CONDENSED CONSOLIDATED STATEMENTS OF INCOME				
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND OCTOBER 1, 2006				
(Unaudited Amounts in millions, except per-share amounts)				
	Third Quarter		Nine Months	
	2007	2006	2007	2006
<b>Net Sales</b>	\$ 408.9	\$ 363.6	\$ 1,194.8	\$ 1,041.9
<b>Costs and expenses</b>				
Cost of sales	284.9	261.3	831.8	743.5
Selling, general and administrative expenses	84.0	70.2	242.5	206.5
Total costs and expenses	368.9	331.5	1,074.3	950.0
<b>Income before other income and expense and income taxes</b>	40.0	32.1	120.5	91.9
Other income	0.9	0.6	1.4	4.6
Interest and debt expense, net	(3.0)	(1.4)	(10.1)	(3.6)
Minority interest	(0.9)	(0.3)	(2.5)	(0.3)
<b>Income before income taxes</b>	37.0	31.0	109.3	92.6
Provision for income taxes	9.9	8.4	37.4	31.2
<b>Net income</b>	\$ 27.1	\$ 22.6	\$ 71.9	\$ 61.4
<b>Basic earnings per common share</b>	\$ 0.77	\$ 0.65	\$ 2.06	\$ 1.79
<b>Weighted average common shares outstanding</b>	35.0	34.6	34.9	34.3
<b>Diluted earnings per common share</b>	\$ 0.75	\$ 0.63	\$ 1.99	\$ 1.73
<b>Weighted average diluted common shares outstanding</b>	36.2	35.7	36.1	35.4

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND OCTOBER 1, 2006  
(Unaudited Amounts in millions)

	Nine Months	
	2007	2006
<b>Cash flow from operating activities</b>		
Net income	\$ 71.9	\$ 61.4
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	25.6	20.9
Disposal of fixed assets	(0.1)	
Deferred income taxes	(7.6)	(3.0)
Stock option compensation expense	5.1	4.4
Excess income tax benefits from stock options	(2.4)	(7.8)
Minority interest in net income of consolidated subsidiaries	2.5	0.3
Changes in operating assets and liabilities, excluding the effect of acquisitions:		
Increase in accounts receivable	(4.1)	(23.9)
Increase in inventories	(18.6)	(26.2)
(Increase) decrease in prepaid expenses and other assets	0.1	(1.0)
Increase in accounts payable	5.1	14.1
Increase in accrued liabilities	33.7	16.1
Increase in income taxes payable, net	5.5	11.6
Increase in long-term assets	(1.2)	
Increase in other long-term liabilities	7.0	1.0
Increase (decrease) in accrued pension obligation	1.9	(4.3)
Decrease in accrued postretirement benefits	(1.1)	(1.0)
Other operating, net	0.1	(0.1)
Net cash provided by operating activities	123.4	62.5
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment	(30.7)	(16.3)
Purchase of businesses, net of cash acquired	(47.5)	(255.4)
Proceeds from sale of assets	1.3	0.3
Net cash used by investing activities	(76.9)	(271.4)
<b>Cash flow from financing activities</b>		
Net proceeds from (repayments of) debt, net	(50.8)	208.1
Proceeds from exercise of stock options	5.0	11.1
Excess income tax benefits from stock options	2.4	7.8
Net cash provided (used) by financing activities	(43.4)	227.0
Increase in cash and cash equivalents	3.1	18.1

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Cash and cash equivalents beginning of period	13.0	9.3
Cash and cash equivalents end of period	\$ 16.1	\$ 27.4

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007

**Note 1. General**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Teledyne Technologies Incorporated (Teledyne Technologies or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Teledyne Technologies Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (2006 Form 10-K).

In the opinion of Teledyne Technologies management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, Teledyne Technologies consolidated financial position as of September 30, 2007, and the consolidated results of operations for the three and nine months then ended and cash flows for the nine months then ended. The results of operations and cash flows for the periods ended September 30, 2007, are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year. Certain reclassifications have been made to the financial statements and notes for the prior year to conform to the 2007 presentation.

**Recent Accounting Pronouncements**

In February 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and is not expected to have an effect on the Company s consolidated results of operations or financial position.

On January 1, 2007, Teledyne Technologies adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN No. 48 ). As a result of the implementation the Company recognized a \$0.2 million increase in the liability for unrecognized tax benefits, which was accounted for as a cumulative-effect adjustment (decrease) to the beginning balance of retained earnings. As of the date of adoption and after the impact of recognizing the increase in the liability noted above, the Company s total gross unrecognized tax benefits totaled \$5.5 million. Due to offsetting related deferred tax assets, \$3.9 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods. See Note 9 for additional disclosures regarding the adoption of FIN No. 48.

**Note 2. Business Combinations**

On June 20, 2007 Teledyne Technologies through its subsidiary, Teledyne Cougar, Inc., completed the acquisition of Tindall Technologies, Inc., ( Tindall ) a designer and supplier of microwave subsystems for defense applications for consideration of \$6.6 million. At September 30, 2007 total cash paid, net of cash acquired was \$5.6 million. Teledyne Technologies also recorded \$1.0 million in contingent payments, in connection with the acquisition, payable from 2008 through 2010 in three installments. Tindall designs and manufactures high performance Instantaneous Frequency Measurement ( IFM ) based systems and

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subsystems, including integrated frequency locked sources and set-on receiver-jammers used for U.S. Navy and Air Force training. Tindall's operations, based in Pleasanton, California, have been consolidated with the operations of Teledyne Cougar in Sunnyvale, California. Tindall's results of operations and cash flows have been included in Teledyne Technologies' results beginning July 2, 2007. Tindall had revenue of \$2.7 million for its fiscal year ended December 2006.

On March 30, 2007, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., completed the acquisition of assets of D.G. O'Brien, Inc. (DGO) for consideration of \$37.1 million, which includes a \$1.0 million purchase price adjustment. DGO, headquartered in Seabrook, New Hampshire, is a leading manufacturer of highly reliable electrical and fiber-optic interconnect systems, primarily for subsea military and offshore oil and gas applications. At September 30, 2007, total cash paid including other fees, was \$37.1 million. DGO's results of operations and cash flows have been included in Teledyne Technologies' results beginning April 2, 2007. DGO had sales of \$26.2 million for its fiscal year ended September 2006. Teledyne Technologies operates this business under the name Teledyne D.G. O'Brien.

On September 15, 2006, Teledyne Technologies through its subsidiary, Teledyne Brown Engineering, Inc. acquired Rockwell Scientific Company LLC for \$167.5 million in cash, with the sellers retaining certain liabilities. Total cash paid, including other fees, net of \$9.5 million in cash acquired was \$158.6 million. The Company now operates as Teledyne Scientific & Imaging, LLC (Scientific Company). Headquartered in Thousand Oaks, California, Scientific Company is a leading provider of research and development services, as well as a leader in developing and manufacturing infrared and visible light imaging sensors for surveillance applications. Scientific Company's results have been included since the date of the acquisition.

The unaudited pro forma financial information below combines Teledyne Technologies historical income statement information with Scientific Company's historical income statement information and assumes that Scientific Company had been acquired at the beginning of the 2006 fiscal year and includes the effect of estimated amortization of acquired identifiable intangible assets, increased depreciation expense for fixed assets, as well as increased interest expense on acquisition debt. This unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have resulted had the acquisition been in effect at the beginning of the period. In addition, the unaudited pro forma results are not intended to be a projection of future results and do not reflect any operating efficiencies or cost savings that might be achievable.

	<b>Third Quarter</b>	<b>Nine Months</b>
(amounts in millions, except per-share amounts)	2006	2006
Net sales	\$388.6	\$1,127.9
Net income	\$ 21.6	\$ 59.2
Basic earnings per common share	\$ 0.65	\$ 1.79
Diluted earnings per common share	\$ 0.63	\$ 1.73

(a) The above unaudited pro forma information is presented for the Scientific Company acquisition as it is considered a material acquisition in accordance with

Statement of  
Financial  
Accounting  
Standards  
No. 141,  
Business  
Combinations.

On August 16, 2006, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., acquired a majority interest in Ocean Design, Inc. ( ODI ) for approximately \$30 million in cash. ODI, headquartered in Daytona Beach, Florida, is a leading manufacturer of subsea, wet-mateable electrical and fiber-optic interconnect systems used in offshore oil and gas production, oceanographic research and military applications.

The ODI minority stockholders have the option to sell their shares of ODI to Teledyne Instruments following the end of each quarter through the quarter ended March 31, 2009, at a formula-determined price. In September 2006, Teledyne Instruments acquired an additional 9.9% of ownership in ODI for \$5.8 million. In 2007, Teledyne Instruments acquired an additional 0.4% of ownership in ODI for \$0.2 million. Total cash paid to date, including the initial investment and subsequent share purchases, net of cash acquired was \$34.6 million. At September 30, 2007, Teledyne Instruments owns 61.3% of ODI. All shares not sold to Teledyne

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Instruments following the quarter ended March 31, 2009, will be purchased by Teledyne Instruments following the quarter ended June 30, 2009, at the same formula-determined price, at which time Teledyne Instruments will own all of the ODI shares held by the participating stockholders.

On August 16, 2006, Teledyne Technologies, through its subsidiary, Teledyne Brown Engineering, Inc., acquired CollaborX, Inc. ( CollaborX ) for consideration of \$17.5 million, less certain transaction-related expenses. Teledyne Technologies recorded \$2.9 million in notes payable related to the transaction, payable through 2009. At September 30, 2007, total cash paid, including other fees, net of cash acquired was \$14.9 million. CollaborX, based in Colorado Springs, Colorado, provides government engineering services primarily to the U.S. Air Force and select joint military commands.

On April 28, 2006, Teledyne Wireless, Inc. completed the acquisition of certain assets of KW Microwave Corporation ( KW Microwave ), a manufacturer of defense microwave components and subsystems, for \$10.5 million in cash. Total cash paid, including the receipt of a \$0.2 million purchase price adjustment, was \$10.3 million. Principally located in Poway, California, the business operates as Teledyne KW Microwave.

On January 27, 2006, we acquired all of the outstanding shares of Benthos, Inc. ( Benthos ) for \$17.50 per share in cash. The aggregate consideration for the outstanding Benthos shares was approximately \$40.6 million (including payments for the settlement of outstanding stock options) or \$32.2 million taking into consideration \$8.4 million in cash acquired. Benthos, located in North Falmouth, Massachusetts, is a provider of oceanographic products used in port and harbor security services, military applications, energy exploration and oceanographic research.

Teledyne Technologies funded the acquisitions primarily from borrowings under its credit facility and cash on hand. The following is a summary at the acquisition date of the estimated fair values allocated to the assets acquired and liabilities assumed for the DGO and Tindall acquisitions made in 2007 (in millions):

Current assets	\$ 14.7
Property, plant and equipment	1.5
Goodwill	23.7
Acquired intangible assets	7.1
Other assets	0.2
Current liabilities	(3.8)
Long-term liabilities	(0.7)
<b>Total net assets acquired</b>	<b>\$ 42.7</b>

Teledyne Technologies' goodwill was \$350.6 million at September 30, 2007 and \$313.6 million at December 31, 2006. Teledyne Technologies' net acquired intangible assets were \$61.2 million at September 30, 2007 and \$69.4 million at December 31, 2006. The change in the balance of goodwill in 2007 primarily resulted from the acquisitions made in 2007 and adjustments for the Scientific Company acquisition. The change in the balance of acquired intangible assets in 2007 resulted from the acquisitions made in 2007, an adjustment for the Scientific Company acquisition and amortization of acquired intangible assets. In all acquisitions, the results of operations and cash flows are included in the Company's consolidated financial statements from the date of each respective acquisition, except as noted for DGO and Tindall. Each of the companies acquired, except for CollaborX, is part of the Electronics and Communications segment. CollaborX is part of the Systems Engineering Solutions segment. The Company completed the process of specifically identifying the amount to be assigned to intangible assets, as well as certain assets and liabilities for the CollaborX, ODI and Scientific Company acquisitions made in 2006. The amount of goodwill and acquired intangible assets recorded as of September 30, 2007 for the ODI acquisition was \$16.8 million and \$13.8 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of December 31, 2006 for the ODI acquisition was \$15.9 million and \$13.8 million, respectively. The change in goodwill from December 31, 2006 reflects additional share purchases and changes to the estimated income tax balances. The amount of goodwill and acquired intangible assets recorded as of September 30, 2007 for the CollaborX acquisition



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was \$14.2 million and \$2.1 million, respectively, and did not change from December 31, 2006. The amount of goodwill and gross acquired intangible assets recorded as of September 30, 2007 for the Scientific Company acquisition was \$73.2 million and \$8.3 million, respectively. The preliminary amount of goodwill and gross acquired intangible assets recorded as of December 31, 2006 for the Scientific Company acquisition was \$60.1 million and \$19.0 million, respectively. The change was due to a \$10.7 million reduction to acquired intangible assets and a corresponding increase to goodwill to reflect changes in the estimated amount of acquired intangible assets based on the completed appraisal report for the valuation of acquired intangible assets and for the final allocation for certain assets and liabilities. The Company is in the process of specifically identifying the amount to be assigned to intangible assets, as well as certain assets and liabilities for the DGO and Tindall acquisitions made in 2007. The Company made preliminary estimates as of September 30, 2007, since there was insufficient time between the acquisition dates and the end of the period to finalize the valuations. The preliminary amount of goodwill and acquired intangible assets recorded as of September 30, 2007 for the DGO acquisition was \$19.7 million and \$6.0 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 30, 2007 for the Tindall acquisition was \$4.1 million and \$1.1 million, respectively. These amounts were based on estimates that are subject to change pending the completion of the Company's internal review and the receipt of certain third party valuation reports. Goodwill resulting from the CollaborX, Scientific Company and DGO acquisitions will be deductible for tax purposes.

**Note 3. Comprehensive Income and Retained Earnings**

Teledyne Technologies' comprehensive income is comprised of net income and foreign currency translation adjustments. Teledyne Technologies' total comprehensive income for the third quarter and nine months of 2007 and 2006 consists of the following (in millions):

	Third Quarter		Nine Months	
	2007	2006	2007	2006
Net income	\$ 27.1	\$ 22.6	\$ 71.9	\$ 61.4
Other comprehensive gain, net of tax:				
Foreign currency translation gains	0.2	0.6	0.4	0.9
Total other comprehensive gain	0.2	0.6	0.4	0.9
Total comprehensive income	\$ 27.3	\$ 23.2	\$ 72.3	\$ 62.3

The following is a rollforward of the balance of retained earnings (in millions):

	Nine Months	
	2007	2006
Balance at beginning of year	\$ 285.8	\$ 205.5
Net income	71.9	61.4
Cumulative effect of the adoption of FIN No. 48 (a)	(0.2)	
Balance at end of period	\$ 357.5	\$ 266.9

(a) Reflects impact of the adoption of FIN No. 48 effective January 1, 2007.



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Basic and diluted earnings per share were computed based on net earnings. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share. This number of shares was increased by contingent shares that could be issued under various compensation plans as well as by the dilutive effect of stock options based on the treasury stock method in the calculation of diluted earnings per share.

The following table sets forth the computations of basic and diluted earnings per share (amounts in millions, except per share data):

	Third Quarter		Nine Months	
	2007	2006	2007	2006
<b>Basic earnings per share</b>				
Net income	\$ 27.1	\$ 22.6	\$ 71.9	\$ 61.4
Weighted average common shares outstanding	35.0	34.6	34.9	34.3
Basic earnings per common share	\$ 0.77	\$ 0.65	\$ 2.06	\$ 1.79
<b>Diluted earnings per share</b>				
Net income	\$ 27.1	\$ 22.6	\$ 71.9	\$ 61.4
Weighted average common shares outstanding	35.0	34.6	34.9	34.3
Dilutive effect of exercise of options outstanding	1.2	1.1	1.2	1.1
Weighted average diluted common shares outstanding	36.2	35.7	36.1	35.4
Diluted earnings per common share	\$ 0.75	\$ 0.63	\$ 1.99	\$ 1.73

**Note 5. Stock-Based Compensation Plans**

Teledyne Technologies has long-term incentive plans pursuant to which it has granted non-qualified stock options, restricted stock and performance shares to certain employees. The Company also has non-employee director stock compensation plans, pursuant to which non-qualified stock options and common stock have been issued to its directors.

The following disclosures are based on stock options granted to Teledyne Technologies employees and directors. Effective January 2, 2006, the Company adopted the provisions of SFAS No. 123(R) using the modified prospective method and began recording stock option compensation expense in the consolidated statements of income, but did not restate prior year financial statements. For the third quarter and first nine months of 2007, the Company recorded a total of \$1.8 million and \$5.1 million, respectively in stock option expense. For the third quarter and first nine months of 2006, the Company recorded a total of \$1.5 million and \$4.4 million, respectively in stock option expense. In 2007, the Company expects approximately \$6.8 million in stock option compensation expense based on current assumptions regarding the estimated fair value of expected stock option grants during the remainder of the year. However, our assessment of the estimated compensation expense is affected by our stock price and actual stock option grants during the year as well as assumptions regarding a number of complex and subjective variables and the related tax impact. These variables include, but are not limited to, the volatility of our stock price and employee stock option exercise behaviors. The Company issues shares of common stock upon the exercise of stock options.

The Company used a combination of the historical volatility of Teledyne Technologies stock price and the implied volatility based on the price of traded options on Teledyne Technologies stock to calculate the expected volatility assumption to value stock options. The Company used the actual stock trading history since January 2001 in its volatility calculation. The expected dividend yield is based on Teledyne Technologies practice of not paying dividends. The risk-free rate of return is based on the yield of U.S.

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Treasury Strips with terms equal to the expected life of the option as of the grant date. The expected life in years is based on historical actual stock option exercise experience. The following assumptions were used in the valuation of stock options granted in 2007 and 2006:

	2007	2006
Expected dividend yield		
Expected volatility	33.0%	36.0%
Risk-free interest rate	4.9%	4.7%
Expected life in years	5.6	5.5

Based on the assumptions in the table above, the grant date fair value of stock options granted in 2007 and 2006 was \$15.54 and \$13.30, respectively.

Stock option transactions for Teledyne's employees for the third quarter and first nine months ended September 30, 2007 are summarized as follows:

	2007			
	Third Quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	2,838,138	\$ 24.46	2,537,559	\$ 20.97
Granted	500	\$ 45.87	533,153	\$ 39.48
Exercised	(35,939)	\$ 19.32	(256,794)	\$ 19.23
Cancelled or expired	(2,499)	\$ 33.49		