
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of Earliest Event Reported): **May 19, 2005 (May 16, 2005)**

RBS GLOBAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation or Organization)

333-102428

(Commission File Numbers)

01-0752045

(I.R.S. Employer Identification No.)

4701 Greenfield Avenue, Milwaukee, Wisconsin

(Address of principal executive offices)

REXNORD CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation or Organization)

033-25967-01

04-3722228

(I.R.S. Employer Identification No.)

53214

(ZIP Code)

(414) 643-3000

(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01. Completion of Acquisition or Disposition of Assets.

This Form 8-K/A amends the Current Report on Form 8-K of Rexnord Corporation (“Rexnord”) dated May 19, 2005, regarding Rexnord’s acquisition of The Falk Corporation (“Falk”) from Hamilton Sundstrand, a subsidiary of United Technologies Corporation, for \$295 million, subject to certain adjustments. As previously reported, the purchase price and related transaction costs were funded with proceeds from a \$312 million term loan under our amended and restated credit agreement dated May 16, 2005. The sole purpose of this Form 8-K/A is to provide the historical financial statements of the business acquired as required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b), which financial statements and information were not included in the original Form 8-K filing.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited combined balance sheet of The Falk Corporation as of December 31, 2004 and the related combined statements of operations, changes in United Technologies Corporation investment and cash flows for the year ended December 31, 2004 are attached hereto as Exhibit 99.4.

The unaudited condensed combined balance sheet of The Falk Corporation as of March 31, 2005 and the related unaudited condensed combined statements of operations and cash flows for the three months ended March 31, 2005 and 2004 are attached hereto as Exhibit 99.5.

(b) Pro Forma Financial Information

The Rexnord Corporation and Subsidiaries unaudited pro forma combined balance sheet as of March 31, 2005 and the unaudited pro forma combined statements of operations for the year ended March 31, 2005 are attached hereto as Exhibit 99.6.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.4	The Falk Corporation Audited Combined Financial Statements – December 31, 2004
99.5	The Falk Corporation Unaudited Condensed Combined Financial Statements – March 31, 2005
99.6	Rexnord Corporation and Subsidiaries Unaudited Pro Forma Combined Financial Information – March 31, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Co-Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized this 29th day of July 2005.

REXNORD CORPORATION

BY: /s/ Thomas J. Jansen
Thomas J. Jansen
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Co-Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized this 29th day of July 2005.

RBS GLOBAL, INC.

BY: /s/ Thomas J. Jansen
Thomas J. Jansen
Chief Financial Officer

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Combined Financial Statements
December 31, 2004

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Index
December 31, 2004

Report of Independent Auditors

Combined Balance Sheet

Combined Statement of Operations

Combined Statement of Changes in UTC Investment


Combined Statement of Cash Flows

Notes to Combined Financial Statements

Report of Independent Auditors

To the Board of Directors and Shareowners of
United Technologies Corporation:

In our opinion, the accompanying combined balance sheet and the related combined statements of operations, of changes in United Technologies Corporation investment and of cash flows present fairly, in all material respects, the financial position of The Falk Corporation, including its affiliates as described in Note 1, (collectively referred to as the "Company") at December 31, 2004 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
May 9, 2005

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Combined Balance Sheet
December 31, 2004

(Dollar amounts in thousands)	December 31, 2004
Assets	
Cash	\$ 4,188
Accounts receivable net of allowances of \$616 (Note 2)	38,367
Inventories, net (Note 6)	33,764
Prepaid expenses	544
Deferred income taxes (Note 11)	5,526
Total current assets	82,389
Investments (Note 7)	2,722
Receivables due after one year	268
Fixed assets, net (Note 8)	74,433
Goodwill (Note 2)	120,716
Prepaid pension and other	88,177
Total assets	\$ 368,705
Liabilities and UTC investment	
Affiliate notes and payables (Note 3)	\$ 137,154
Accounts payable	15,490
Accrued liabilities (Note 9)	12,333
Taxes currently payable	6,986
Total current liabilities	171,963
Deferred income taxes (Note 11)	40,758
Other long-term liabilities (Note 10)	15,946
Total liabilities	228,667
Commitments and contingent liabilities (Note 15)	
UTC investment	140,038
Total liabilities and UTC investment	\$ 368,705

See accompanying notes to combined financial statements.

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Combined Statement of Operations
Year Ended December 31, 2004

<u>(Dollar amounts in thousands)</u>	<u>Year Ended December 31, 2004</u>
Net sales	\$ 203,060
Cost of goods sold	165,934
Gross profit	<u>37,126</u>
Engineering, research and development	3,480
Selling	20,407
General and administrative	6,240
Allocated UTC costs (Note 3)	<u>3,507</u>
Operating profit	3,492
Other (expense) income	
Affiliate interest expense (Note 3)	(4,106)
Other income, net (Note 13)	<u>349</u>
Loss before income taxes	(265)
Income tax provision	<u>52</u>
Net loss	<u>\$ (317)</u>

See accompanying notes to combined financial statements.

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Combined Statement of Changes in UTC Investment
Year Ended December 31, 2004

<u>(Dollar amounts in thousands)</u>	<u>UTC Investment</u>	<u>Accumulated Other Non-shareowner Changes in Equity</u>	<u>Total</u>	<u>Non- shareowner Changes in Equity for the Period</u>
Balance at December 31, 2003	\$ 139,161	\$ (3,262)	\$ 135,899	\$ —
Net loss	(317)	—	(317)	(317)
Foreign currency translation adjustment	—	753	753	753
UTC investment activity, including tax benefit from stock option exercise of \$510	3,703	—	3,703	—
Balance at December 31, 2004	<u>\$ 142,547</u>	<u>\$ (2,509)</u>	<u>\$ 140,038</u>	<u>\$ 436</u>

See accompanying notes to combined financial statements.

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Combined Statement of Cash Flows
Year Ended December 31, 2004

(Dollar amounts in thousands)	Year Ended December 31, 2004
Cash flows from operating activities	
Net loss	\$ (317)
Adjustments to reconcile net income to net cash flow from operating activities	
Depreciation	10,981
Loss on fixed asset sales	74
Equity in earnings of investees	(67)
Deferred income tax	(1,516)
Affiliate interest expense	4,106
Change in operating assets and liabilities	
Accounts receivable	(8,499)
Inventories	(7,071)
Prepaid expenses	(110)
Accounts payable	4,942
Accrued liabilities	5,304
Other, net	652
Net cash flows provided by operating activities	8,479
Cash flows from investing activities	
Purchase of fixed assets	(8,250)
Net cash flows used for investing activities	(8,250)
Cash flows from financing activities	
Affiliate activity	(2,710)
UTC investment activity	3,703
Net cash flows provided by financing activities	993
Effect of foreign exchange rate changes	753
Net increase in cash and cash equivalents	1,975
Cash and cash equivalents	
Beginning of year	2,213
End of year	\$ 4,188

See accompanying notes to combined financial statements.

The Falk Corporation
(A wholly-owned subsidiary of United Technologies Corporation)
Notes to Combined Financial Statements
December 31, 2004

1. Basis of Presentation

The Falk Corporation and its affiliates are wholly-owned businesses of United Technologies Corporation (“UTC”). The accompanying combined financial statements were prepared to show the historical operating results of the entities comprising UTC’s Falk Business, which includes The Falk Corporation and certain affiliates which are subsidiaries of other UTC operating units (collectively referred to as “The Falk Corporation”, “Falk” or the “Company”). Historically, separate financial statements were not prepared for Falk.

The combined financial statements have been prepared using UTC’s historical basis in the assets and liabilities of Falk. Changes in indebtedness between the Company and UTC are reflected as part of the UTC investment in the accompanying combined balance sheet.

The combined financial statements include all revenues, costs, assets and liabilities directly attributable to Falk. The financial statements also include certain direct charges allocated from UTC such as the cost of employee benefit plans and workers’ compensation. All of the allocations and estimates in the combined financial statements are based on assumptions that Falk and UTC management believe are reasonable in the circumstances. The Company’s financial information included herein is not necessarily indicative of the financial position, results of operations and cash flows of the Company in the future or indicative of the results that would have been reported if the Company had operated as an unaffiliated enterprise.

2. Summary of Accounting Principles

Business activities

Falk is a manufacturer of industrial mechanical power transmission solutions. The company designs and manufactures standard and custom gear drives, couplings and backstops and provides service and aftermarket support for its customers.

Principles of combination

The combined financial statements include the accounts and activities of Falk and its majority controlled and owned subsidiaries and equity affiliates. All material intercompany transactions between Falk businesses included in the combined financial statements have been eliminated. Sales from Falk to other UTC affiliates are not significant. Transactions between Falk and UTC (and other UTC business units) are herein referred to as “related party” or “affiliated” transactions.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

Revenue and related cost of sales are recognized upon shipment or delivery of products to the customers based upon passage of title and risk of loss.

Receivables

Receivables are stated net of allowances for doubtful accounts of \$616 at December 31, 2004. On a regular basis, the Company evaluates its receivables and updates its allowance for doubtful accounts based on a combination of specific customer circumstances and historical write-off experience.

Inventories

Inventories are stated at the lower of cost or estimated realizable value. Domestic inventories, representing approximately 93% of total inventory, are determined on the last-in, first-out (LIFO) cost method at December 31, 2004. The remaining inventories are carried on the first-in, first-out (FIFO) method. Included in inventory costs are direct material, direct labor, and allocations of certain manufacturing overhead costs.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes capitalized interest of \$1,006 at December 31, 2004. Provisions for depreciation of plant and equipment have been made using the straight-line method for financial reporting purposes. Estimated useful lives generally range from 12 to 40 years for buildings and improvements, from 3 to 12 years for machinery and equipment, and from 3 to 10 years for office equipment. Expenditures for non-reimbursed tooling are capitalized and are generally depreciated over 7 years. Improvements to leased property are depreciated over the life of the lease.

Environmental activities

Provisions for environmental remediation activities, including costs relating to closed or sold facilities, are recorded when remedial efforts are probable and related amounts can be reasonably estimated. This generally occurs when a remedial investigation or a feasibility study has been completed and sometimes at an earlier time, based on the specific circumstances and past experience. Provisions include costs for remediation, environmental studies, post-closure monitoring and other incremental costs related to remediation activities. When no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, the Company considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for these costs.

Goodwill

Goodwill represents the excess purchase price over the net assets acquired related to UTC's 1999 acquisition of Sundstrand Corporation less accumulated amortization, as allocated to Falk under the push-down basis of accounting. The goodwill life is considered indefinite. In accordance with Statement of Financial Accounting Standards ("SFAS") SFAS No. 142, "Goodwill and Other Intangibles" the Sunstrand goodwill is subject to annual impairment testing at the UTC reporting unit level. The goodwill allocated to Falk for purposes of these financial statements has also been subjected to an impairment test as of December 31, 2004 in accordance with SFAS No. 142.

Income taxes

The Company and its domestic combined affiliates are included in the consolidated U.S. federal income tax return of UTC. It is generally the policy of the Company to determine its income tax liability on a separate return basis. Under an arrangement with UTC, income taxes are charged to members of the U.S. consolidated group based upon amounts they would pay or receive if they filed a separate income tax return. The provision for income taxes has been prepared as if a consolidated U.S. federal income tax return had been filed separately by the Company and its combined affiliates under a similar arrangement. Deferred income taxes are provided on the differences in the book and tax bases of assets and liabilities at the statutory tax rates expected to be in effect when such differences are reversed. A valuation allowance is provided on the tax benefits otherwise associated with certain tax attributes unless it is considered more likely than not that the benefits will be realized. UTC pays domestic taxes on behalf of the Company and reflects the funding through the affiliate notes and payables account.

Cash and cash equivalents

For purposes of the combined statements of cash flows, the Company considers highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. UTC provides centralized treasury functions and financing for Falk, including substantially all domestic investing and borrowing activities. As part of this practice, surplus cash is remitted to UTC and UTC advances cash, as necessary, to Falk.

Foreign currency translation

The Company's combined international affiliates use the local currency as the functional currency and translate all assets and liabilities at year end exchange rates, all income and expense accounts at average rates and record adjustments resulting from the translations as a separate component of UTC investment.

Gains and losses resulting from transactions of the Company and its subsidiaries which are made in currencies different from their own are included in results of operations as they occur. Total currency transaction gains and losses are included in other income, net in the accompanying combined statements of operations.

Stock based compensation

Effective during the first quarter of 2005, UTC adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share Based Payments". These financial statements have been prepared in accordance with Accounting Principal Board ("APB") No. 25, "Accounting for Stock Issued to Employees" as the effect of adopting SFAS 123R for the Company is not considered material. Had the Company adopted SFAS 123R, the net loss for the year ended December 31, 2004 would have been increased by approximately \$240.

3. Related Party Transactions**Intercompany activities**

As discussed below and in Note 12, Falk employees participate in certain UTC employee benefit programs which are sponsored and administered by UTC. In addition, UTC provides certain risk management services such as workers' compensation on behalf of Falk. All direct costs relating to these services and participation in these plans are charged to the Company and indirect costs are allocated using allocation methods UTC and Falk management believes are reasonable.

UTC also provides centralized treasury functions and financing, including substantially all domestic investing and borrowing activities, on behalf of the Company. As part of this practice, surplus cash is remitted to UTC and UTC advances cash, as necessary, to the Company. No interest is charged or paid on the net UTC investment amount. Interest is charged or credited on notes receivable and notes payable due from or due to affiliates. Interest expense of \$4,106 represents charges from UTC affiliates in 2004. The interest expense is a non-cash transaction.

Employee benefit administration

The Company’s employees participate in tax-qualified defined benefit pension plans, defined contribution savings plans and various welfare benefit plans sponsored and administered by UTC. UTC has historically charged back to the Company its pro rata share of administration and funding expenses incurred by UTC in the operation of these plans for the benefit of Falk employees. The Company is responsible for the cost of funding pension and savings plan benefits accrued by its employees.

4. Restructuring and related costs

The Company committed to a restructuring program in response to industry conditions and to reduce the fixed cost base of the business. The objectives of the restructuring program are to improve the profitability of the Company’s core businesses by consolidating excess manufacturing capacity, rationalizing certain product lines and outsourcing non-core production. Under this restructuring program, the Company reduced its workforce by approximately 51 employees and is in the process of closing one of its manufacturing plants.

Restructuring and other similar costs are summarized as follows:

(Dollar amounts in thousands)	December 31, 2004
Plant closure, consolidation and related costs	
Assets write-offs	\$ 1,962
Facility exit costs	<u>1,303</u>
	3,265
Severance and other termination related costs	
Severance	2,890
Curtailement	<u>661</u>
	3,551
Other restructuring and similar costs	
Net facility preparation	<u>1,400</u>
	1,400
Restructuring and other similar costs charged to operations	<u><u>\$ 8,216</u></u>

Provisions for restructuring and other actions are included in cost of goods sold in the statement of operations. Generally, costs relating to severance, termination related costs, facility exit costs and new facility preparation costs are cash charges. Fixed asset provisions are non-cash charges.

Accrual utilization is summarized as follows:

<u>(Dollar amounts in thousands)</u>	<u>Severance and Related Costs</u>	<u>Facility and Other Costs</u>	<u>Total</u>
Balance at December 31, 2003	\$ —	\$ —	\$ —
2004 Charges	3,551	2,703	6,254
Utilized in 2004	(2,361)	(2,703)	(5,064)
Balance at December 31, 2004	<u>\$ 1,190</u>	<u>\$ —</u>	<u>\$ 1,190</u>

Severance and related costs

The Company provided \$2,890 for severance in accordance with Statement of Financial Accounting Standards (SFAS) 12, “Employers Accounting for Post-employment Benefits”. The Company also provided \$661 for SFAS 88 and 106, “Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits”, and “Employers Accounting for Post-retirement Benefits Other Than Pension” respectively.

Facility and other exit costs

Period expense of \$2,703 was incurred, primarily consisting of costs for equipment relocations, lease site preparation and transition team costs.

Asset write-downs

The Company provided \$1,962 for asset write-downs based on a listing of specifically identified assets that are held for sale or deemed unsaleable in conjunction with the plant consolidation activities. Assets held for sale are actively being marketed by an agent.

5. Significant customer

The Company has a customer in the industrial distribution business that accounting for 18.4% of net sales during the year ended December 31, 2004. Receivables related to this customer at December 31, 2004 were \$5,557.

6. Inventories

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Raw materials	\$ 6,123
Work-in-process	16,225
Finished goods	19,775
LIFO reserve	(6,274)
Other reserves	(2,085)
	<u>\$ 33,764</u>

7. Investments

The Company's investment balance is \$2,722 at December 31, 2004. The Company has a 49% interest in its joint venture investment in Mecanica Falk S.A. de C.V. and such investment is accounted for under the equity method.

8. Fixed Assets

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Fixed assets, at cost	
Land	\$ 1,108
Buildings and improvements	47,123
Machinery, tools and equipment	191,288
Construction-in-progress	4,029
	<u>243,548</u>
Less - accumulated depreciation	(169,115)
	<u>\$ 74,433</u>

Depreciation expense for the year ended December 31, 2004 is \$10,981.

9. Accrued Liabilities

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Vacation	\$ 3,399
Workers' compensation	1,410
Payroll	654
Restructuring	1,190
Property and sales tax	435
Warranty	1,381
Customer advances	3,212
Other	652
	<u>\$ 12,333</u>

10. Other Long-Term Liabilities

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Pension	\$ 9,352
Post employment benefits	4,610
Environmental	1,984
	<u>\$ 15,946</u>

As described in Note 12, pension and post employment benefit plans are administered by UTC.

11. Taxes on Income

The provision for income taxes is comprised of the following:

<u>(Dollar amounts in thousands)</u>	<u>December 31,</u> <u>2004</u>
Current	
United States	
Federal	\$ 550
State	(229)
Foreign	1,247
	<u>\$ 1,568</u>
Deferred	
United States	
Federal	\$ (1,260)
State	(271)
Foreign	15
	<u>\$ (1,516)</u>
Total	
United States	
Federal	\$ (710)
State	(500)
Foreign	1,262
	<u>\$ 52</u>

Deferred income taxes represent the tax effects of differences in the book and tax reporting bases of assets and liabilities at the statutory tax rates expected to be in effect when such differences reverse. Temporary differences and carryforwards that gave rise to a significant portion of deferred tax assets and liabilities at December 31 include:

(Dollar amounts in thousands)	December 31, 2004
Current	
Deferred tax assets	
Inventory provisions	\$ 1,069
Provisions for warranty	553
Environmental remediation provisions	468
Insurance and employee benefits	1,985
Restructuring reserve	1,270
Allowance for doubtful accounts	241
Other items (net)	(60)
Net current deferred tax asset	<u>\$ 5,526</u>
Non-current	
Deferred tax assets	
Environmental remediation provisions	\$ 316
Post retirement benefits	1,824
State net operating losses and credit carryforwards	3,487
Total noncurrent deferred tax asset	<u>5,627</u>
Deferred tax liabilities	
Tax depreciation and capital allowance	14,841
FAS 87 and 88	31,171
Other items (net)	373
Total noncurrent deferred tax liability	<u>46,385</u>
Net noncurrent deferred tax liability	<u>\$ 40,758</u>
Net deferred tax liability	<u>\$ 35,232</u>

During the year Falk generated \$972 of foreign tax credits which were utilized by UTC on a consolidated basis. Falk claimed a benefit of \$520 of these credits which is the amount that could be used on a stand alone basis. The Company has recorded a valuation allowance against the remaining foreign tax credits.

Tax credit carryforwards at December 31, 2004 were \$678, which expire between 2016 and 2019. Tax loss carryforwards, principally state, at December 31, 2004 were \$63,004, which expire between 2006 and 2023. No valuation allowance has been recorded related to state tax loss carryforwards and credits, since management believes it is more likely than not that the tax loss carryforwards and credits will be utilized before expiration.

The sources of loss before income taxes were:

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
United States	\$ (3,103)
Foreign	2,838
	<u>\$ (265)</u>

Deferred income taxes generally have not been provided on undistributed earnings of international Falk affiliates at December 31, 2004. The Company's intention is to reinvest these earnings permanently, or to repatriate the earnings only when it is tax effective to do so. It is not practicable to estimate the amount of tax that might be payable upon distribution of the unremitted earnings.

Differences between the total income tax provision/(benefit) recorded for financial reporting purposes and the expected tax provision/(benefit) at the statutory U.S. Federal income tax rate are as follows:

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Pre-tax loss	<u>\$ (265)</u>
Taxes at statutory U.S. Federal income tax rate	\$ (93)
State and local income taxes, net of federal federal income tax benefit	(325)
Tax on international activities	656
Extraterritorial income exclusion	(250)
Non-deductible meals	75
Equity in unconsolidated subsidiaries	(5)
Other	(6)
Income tax provision	<u>\$ 52</u>

12. Employee Benefit Plans

Employee pension benefits

UTC and its subsidiaries sponsor both funded and unfunded domestic and foreign defined benefit pension plans. The Company participates with other UTC entities in certain UTC sponsored defined benefit pension plans covering substantially all of the Company's U.S. employees. Benefits are generally based on an employee's years of service and compensation near retirement.

A cash balance formula was adopted in 2003 for newly hired employees and other employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Expenses for these plans are allocated from UTC to the Company on an actuarial basis utilizing participant and plan design data. Net periodic pension benefit cost for the Company's participation in the UTC U.S. plans, foreign defined benefit plans and other costs for pension plans allocated by UTC and recognized within the Company's combined statement of operations approximated \$2,369 for the year ended December 31, 2004. For purposes of the combined financial statements, the Company

accounts for its participation in UTC pension plans as if its employees participated in multi-employer plans.

Employee healthcare and insurance benefits

UTC and its subsidiaries also sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans. UTC's postretirement benefit plans are primarily unfunded. Expenses for UTC's postretirement benefit plans are allocated from UTC to the Company on an actuarial basis utilizing participant and plan design data. Net periodic postretirement benefit cost allocated by UTC and recognized within the Company's combined statement of operations approximated \$3,266 for the year ended December 31, 2004. For purposes of the combined financial statements, the Company accounts for its participation in UTC postretirement benefit plans as if its employees participated in multi-employer plans.

Employee incentive plans

The Company participated in UTC's long-term incentive plans utilizing various types of market and performance based incentive awards, which may be granted to officers and employees, including grants of UTC common stock and stock options. The exercise prices of stock options, which are to be set at the time of the grant, will not be less than the fair market value of the shares on the date of grant.

Employee savings plan

The Company participates in UTC's Employee Stock Ownership Plan. The amounts expensed relative to the Company's participation in that plan, including administrative fees, totaled \$1,465 for the year ended December 31, 2004.

13. Other Income, net

Other income includes the following:

<u>(Dollar amounts in thousands)</u>	<u>Year Ended December 31, 2004</u>
Interest income	\$ 57
Royalty income	162
Foreign exchange losses	(78)
Equity in earnings of investees	67
Other	141
	<u>\$ 349</u>

14. Fair Value of Financial Instruments

The carrying amounts at cash, receivables and payables approximated fair value as of December 31, 2004.

15. Commitments and Contingent Liabilities

Lease commitments

The Company and its combined affiliates occupy space and use certain equipment under lease arrangements. Rental commitments at December 31, 2004 under long-term noncancelable operating leases are as follows:

(Dollar amounts in thousands)	Land, Buildings and Office Space	Machinery, Tools and Equipment
2005	\$ 248	\$ 431
2006	214	391
2007	70	128
2008 and thereafter	—	5
	\$ 532	\$ 955

Rent expense totaled \$1,552 for the year ended December 31, 2004.

Purchase commitments

In the normal course of business, the Company enters into commitments for the purchase of certain raw materials and components utilized in its manufacturing process. These agreements are generally for one year or less and management believes the required purchases are not in excess of anticipated needs.

Environmental

The Company is subject to federal, state, local and foreign laws and regulations relating to environmental matters. These laws provide for control of pollutants released into the air, water and ground and require responsible parties to undertake remediation of hazardous waste disposal sites.

Although it is not presently possible to estimate the exact timing and ultimate amount of future expenditures for environmental remediation, the Company has recorded environmental liabilities of \$1,984 as of December 31, 2004.

Management believes that the ultimate resolution of these environmental matters should not have a material adverse effect on the combined financial position of the Company. However, it is possible that the Company's results of operations and cash flows in certain future periods could be materially affected.

Warranty

The Company provides its customers with product quality assurances considered by management to be standard in the industry. The Company accrues for these costs when such obligations are probable and the amounts can be reasonably estimated. The change in accruals for warranties for the year ended December 31, 2004 is as follows:

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Balance as of January 1	\$ 1,349
Settlements made	(222)
Adjustments to provision	254
Balance as of December 31	<u>\$ 1,381</u>

Other

The Company also has other commitments and contingent liabilities related to legal proceedings and other matters arising out of the normal course of business. Management believes that resolution of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

16. Segment Financial Data

The Company designs and manufactures standard and custom gear drives, couplings and backstops and provides service and aftermarket support for its customers. The Company operates in a single business segment – mechanical power transmission components. Net sales to third parties and long-lived assets by geographic region are as follows:

<u>(Dollar amounts in thousands)</u>	<u>As of And For the Year Ended December 31, 2004</u>	
	<u>Net Sales</u>	<u>Long-Lived Assets</u>
North America	\$ 188,292	\$ 68,286
All other	14,768	6,147
Total	<u>\$ 203,060</u>	<u>\$ 74,433</u>

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for long-lived assets are based on the location of the entity that holds such assets.

Sales

Sales by operating segment or by geographic area include intersegment sales as well as sales and transfers between geographic areas, which are generally made at prices approximating those that the selling entity is able to obtain on external sales.

Sales from United States operations include export sales as follows:

<u>(Dollar amounts in thousands)</u>	<u>December 31, 2004</u>
Europe	\$ 1,700
Asia Pacific	11,595
Latin America	12,877
Other	7,664
	<u>\$ 33,836</u>

Eliminations

Eliminations made in reconciling geographic area data with the related combined amounts include sales and transfers between geographic areas, unrealized profits in inventory and similar items.

Long-lived assets

Long-lived assets include net fixed assets which can be attributed to the specific geographic regions.

17. Subsequent Events

On May 16, 2005, UTC sold the Company to Rexnord Corporation for approximately \$295,000, subject to certain adjustments. The financial statements do not give effect to this transactions. Rexnord Corporation management is in the process of integrating Rexnord and Falk and developing long-term plans for the combined business, which potentially could impact the carrying value of certain Falk assets and liabilities in the future. Management has not yet finalized such plans.

THE FALK CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF UNITED TECHNOLOGIES CORPORATION)
CONDENSED COMBINED BALANCE SHEET

(Dollar amounts in thousands)	March 31, 2005 (Unaudited)
Assets	
Cash	\$ 7,008
Accounts receivables, net of allowances	40,910
Inventories	35,249
Prepaid expenses	667
Deferred income taxes	5,306
Total current assets	89,140
Investments	2,954
Receivables due after one year	115
Fixed assets, net	74,758
Goodwill	120,716
Prepaid pension and other	88,171
Total assets	\$ 375,854
Liabilities and UTC investment	
Affiliate notes and payables	\$ 140,761
Accounts payable	15,245
Accrued liabilities	12,380
Taxes currently payable	8,915
Total current liabilities	177,301
Deferred income taxes	40,037
Other long-term liabilities	17,041
Total liabilities	234,379
UTC investment	141,475
Total liabilities and UTC investment	\$ 375,854

See notes to the condensed combined financial statements.

THE FALK CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF UNITED TECHNOLOGIES CORPORATION)
CONDENSED COMBINED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollar amounts in thousands)	Quarter Ended	
	March 31, 2005	March 31, 2004
Net sales	\$ 54,974	\$ 44,035
Cost of goods sold	44,548	39,765
Gross profit	10,426	4,270
Engineering, research and development	974	927
Selling	5,662	5,253
General and administrative	1,704	1,434
Allocated UTC costs	1,094	877
Operating profit (loss)	992	(4,221)
Other income (expense)		
Affiliate interest expense	(1,012)	(1,021)
Other income, net	416	67
Income (loss) before income taxes	396	(5,175)
Income tax provision (benefit)	173	(1,878)
Net income (loss)	<u>\$ 223</u>	<u>\$ (3,297)</u>

See notes to the condensed combined financial statements.

THE FALK CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF UNITED TECHNOLOGIES CORPORATION)
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollar amounts in thousands)	Quarter Ended	
	March 31, 2005	March 31, 2004
Cash flows from operating activities		
Net income (loss)	\$ 223	\$ (3,297)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation	2,642	2,852
Loss (gain) on fixed asset sales	1	(1)
Equity in earnings of investees	(206)	(31)
Deferred income taxes	(501)	(2,006)
Affiliate interest expense	1,012	1,021
Changes in operating assets and liabilities:		
Accounts receivable	(2,390)	(1,112)
Inventories	(1,484)	(3,511)
Prepaid expenses	(123)	(64)
Accounts payable	(245)	2,945
Accrued liabilities	1,477	2,818
Other, net	1,522	4,254
Net cash flows provided by operating activities	1,928	3,868
Cash flows from investing activities		
Purchases of fixed assets	(2,918)	(827)
Net cash flows used for investing activities	(2,918)	(827)
Cash flows from financing activities		
Affiliate activity	2,595	(1,519)
UTC investment activity	841	906
Net cash flows provided by financing activities	3,436	(613)
Effect of foreign exchange changes	374	527
Net increase in cash and cash equivalents	2,820	2,955
Cash and cash equivalents at beginning of period	4,188	2,213
Cash and cash equivalents at end of period	\$ 7,008	\$ 5,168

See notes to the condensed combined financial statements.

THE FALK CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF UNITED TECHNOLOGIES CORPORATION)
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Significant Accounting Policies

The Falk Corporation and its affiliates are wholly-owned businesses of United Technologies Corporation (“UTC”). The accompanying unaudited condensed combined financial statements were prepared to show the historical operating results of the entities comprising UTC’s Falk Business, which includes The Falk Corporation and certain affiliates which are subsidiaries of other UTC operating units (collectively referred to as “The Falk Corporation”, “Falk” or the “Company”).

The unaudited condensed combined financial statements of Falk included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States 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. In the opinion of management, the condensed combined financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods. It is suggested that these condensed combined financial statements be read in conjunction with the audited combined financial statements of the Company including the notes thereto for the year ended December 31, 2004 included elsewhere in this Form 8-K/A. The Company’s financial information included herein is not necessarily indicative of the financial position, results of operations and cash flows of the Company in the future or indicative of the results that would have been reported if the Company had operated as an unaffiliated enterprise.

Business activities

Falk is a manufacturer of industrial mechanical power transmission solutions. The Company designs and manufactures standard and custom gear drives, couplings and backstops and provides service and aftermarket support for its customers.

2. Related Party Transactions

UTC provides centralized treasury functions and financing, including substantially all domestic investing and borrowing activities, on behalf of the Company. As part of this practice, surplus cash is remitted to UTC and UTC advances cash, as necessary, to the Company. No interest is charged or paid on the net UTC investment amount. Interest is charged or credited on notes receivable and notes payable due from or due to affiliates. Interest expense of \$1,012 and \$1,021 represent charges from UTC affiliates during the quarters ended March 31, 2005 and 2004, respectively. The interest expense is a non-cash transaction.

3. Restructuring and related costs

Restructuring and other similar costs charged to operations are summarized as follows:

<u>(Dollar amounts in thousands)</u>	<u>Quarter Ended March 31, 2005</u>	<u>Quarter Ended March 31, 2004</u>
Plant closure, consolidation and related costs		
Asset write-offs	\$ —	\$ 1,962
Facility exit costs	335	73
	<u>335</u>	<u>2,035</u>
Severance and other termination related costs		
Severance	—	2,890
Curtailement	—	102
	<u>—</u>	<u>2,992</u>
Other restructuring and similar costs		
Net facility preparation	308	87
	<u>\$ 643</u>	<u>\$ 5,114</u>

Provisions for restructuring and other actions are included in cost of goods sold in the statement of operations. Generally, costs relating to severance, termination related costs, facility exit costs and new facility preparation costs are cash charges. Fixed asset provisions are non-cash charges.

4. Inventories

<u>(Dollar amounts in thousands)</u>	<u>March 31, 2005</u>
Raw materials	\$ 6,237
Work in-process	18,572
Finished goods	20,470
LIFO reserve	(8,646)
Other reserves	(1,384)
	<u>\$ 35,249</u>

5. Accrued Liabilities

<u>(Dollar amounts in thousands)</u>	<u>March 31,</u> <u>2005</u>
Vacation	\$ 3,660
Worker's compensation	1,410
Payroll	1,063
Restructuring	1,050
Property and sales tax	289
Warranty	1,346
Customer advances	2,840
Other	722
	<u>\$ 12,380</u>

6. Other Long-Term Liabilities

<u>(Dollar amounts in thousands)</u>	<u>March 31,</u> <u>2005</u>
Pension	\$ 10,631
Postemployment benefits	4,528
Environmental	1,882
	<u>\$ 17,041</u>

7. Taxes on Income

The provision/benefit for income taxes for the fiscal quarters ended March 31, 2005 and 2004 are based on an estimated effective income tax rate for the respective full fiscal years. The estimated annual effective income tax rate is determined excluding the effect of significant unusual items or items that are reported net of their related tax effects. The tax effect of significant unusual items is reflected in the period in which they occur.

8. Employee Benefit Plans

Employee pension benefits

UTC and its subsidiaries sponsor both funded and unfunded domestic and foreign defined benefit pension plans. The Company participates with other UTC entities in certain UTC sponsored defined benefit pension plans covering substantially all of the Company's U.S. employees. Net periodic pension benefit cost for the Company's participation in the UTC U.S. plans, foreign defined benefit plans and other costs for pension plans allocated by UTC and recognized within the Company's condensed combined statements of operations approximated \$1,278 and \$658 for the quarters ended March 31, 2005 and 2004, respectively. For purposes of the condensed combined financial statements, the Company accounts for its participation in UTC pension plans as if its employees participated in multi-employer plans.

Employee healthcare and insurance benefits

UTC and its subsidiaries also sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Net periodic postretirement benefit cost allocated by UTC and recognized within the Company's condensed combined statements of operations approximated \$804 and \$776 for the quarters ended March 31, 2005 and 2004, respectively. For purposes of the condensed combined financial statements, the Company accounts for its participation in UTC postretirement benefit plans as if its employees participated in multi-employer plans.

9. Other Income, net

Other income includes the following:

<u>(Dollar amounts in thousands)</u>	<u>Quarter Ended March 31, 2005</u>	<u>Quarter Ended March 31, 2004</u>
Interest income	\$ 14	\$ 11
Royalty income	70	26
Foreign exchange gain (loss)	101	(80)
Equity in earnings of investees	206	31
Other	25	79
	<u>\$ 416</u>	<u>\$ 67</u>

10. Product Warranty

The Company provides its customers with product quality assurances considered by management to be standard in the industry. The Company accrues for these costs when such obligations are probable and the amounts can be reasonably estimated. The change in accruals for warranties for the quarters ended March 31, 2005 and 2004 are as follows:

<u>(Dollar amounts in thousands)</u>	<u>Quarter Ended March 31, 2005</u>	<u>Quarter Ended March 31, 2004</u>
Balance as of January 1	\$ 1,381	\$ 1,349
Settlements made	(81)	(222)
Adjustments to provision	46	90
Balance as of March 31	<u>\$ 1,346</u>	<u>\$ 1,217</u>

11. Subsequent Events

On May 16, 2005, UTC sold the Company to Rexnord Corporation for approximately \$295,000, subject to certain adjustments. The financial statements do not give effect to this transaction. Rexnord Corporation management is in the process of integrating Rexnord and Falk and developing long-term plans for the combined business, which potentially could impact the carrying value of certain Falk assets in the future. Management has not yet finalized such plans.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

We present below our historical and pro forma combined financial information as of and for the year ended March 31, 2005. The unaudited pro forma combined financial information gives effect to:

- the borrowing of \$312 million in term loans under our amended and restated credit agreement dated May 16, 2005; and
- our acquisition of The Falk Corporation (“Falk”) from Hamilton Sundstrand, a division of United Technologies Corporation, for \$295 million plus transaction expenses of approximately \$6.4 million.

The unaudited pro forma combined financial information is based on the estimates and assumptions included in the notes to the unaudited pro forma combined financial statements. The unaudited pro forma combined financial information has been prepared using the purchase method of accounting in which the total cost of the Falk acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the effective date of the acquisition. The adjustments included in the unaudited pro forma combined financial information represent the preliminary determination of such adjustments based upon currently available information. We are in the process of obtaining third-party appraisals of the acquired property, plant and equipment and certain identifiable intangible assets. In addition, we are in the process of strategically assessing our combined business which may give rise to additional purchase liabilities. Accordingly, the actual adjustments to be recorded in connection with the final purchase price allocation may differ from the pro forma adjustments reflected within the unaudited pro forma combined information. Such revisions to the preliminary purchase price allocation could have a significant impact on the pro forma amounts. We expect to finalize the purchase price allocation within one year from the date of the Falk acquisition.

We combined our consolidated statement of income for our fiscal year ended March 31, 2005 with Falk’s combined statement of income for their fiscal year ended December 31, 2004. No adjustments were made to conform Falk’s combined statement of income to our fiscal year-end. We combined our March 31, 2005 audited consolidated balance sheet with Falk’s unaudited combined balance sheet as of March 31, 2005.

The unaudited pro forma combined statement of income assumes that our acquisition of Falk and the borrowing of \$312 million in term loans occurred on April 1, 2004, the beginning of our 2005 fiscal year. The unaudited pro forma combined balance sheet assumes that the acquisition and borrowing occurred on March 31, 2005. No pro forma effect has been given to any operational or other synergies that may be realized from the Falk acquisition.

The unaudited pro forma combined condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that might have been achieved had the transactions occurred as of an earlier date, and they are not necessarily indicative of future operating results or financial position. These pro forma amounts do not, therefore, project our financial position or results of operations for any future date or period. You should read the unaudited pro forma combined financial information in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and related notes included in our annual report on Form 10-K for the fiscal year ended March 31, 2005.

Rexnord Corporation
Unaudited Pro Forma Combined Statement of Operations
For the Year Ended March 31, 2005
(dollars in millions)

	<u>Historical Rexnord Corporation</u>	<u>Adjustments for Debt Issuance</u>	<u>Pro Forma After Debt Issuance</u>	<u>Historical The Falk Corporation (C)</u>	<u>Adjustments for Acquisition</u>	<u>Pro Forma Combined After Debt Issuance and Acquisition</u>
Net sales	\$ 811.0	\$ —	\$ 811.0	\$ 203.1	\$ —	\$ 1,014.1
Cost of sales	555.8	—	555.8	157.8	(4.2)(D) 3.5 (H)	712.9
Gross profit	255.2	—	255.2	45.3	0.7	301.2
Selling, general and administrative expenses	153.6	—	153.6	33.6	(1.4)(D) 1.0 (E) 0.2 (H)	187.0
Restructuring and other similar costs	7.3	—	7.3	8.2	(0.7)(D)	14.8
Amortization of intangible assets	13.8	—	13.8	—	— (G)	13.8
Income from operations	80.5	—	80.5	3.5	1.6	85.6
Non-operating income (expense):						
Interest expense	(44.0)	(18.5)(A)	(62.5)	(4.1)	4.1 (F)	(62.5)
Other income (expense), net	(0.7)	—	(0.7)	0.3	—	(0.4)
Income before income taxes	35.8	(18.5)	17.3	(0.3)	5.7	22.7
Income tax provision (benefit)	14.2	(7.4)(B)	6.8	—	2.3 (B)	9.1
Net income	<u>\$ 21.6</u>	<u>\$ (11.1)</u>	<u>\$ 10.5</u>	<u>\$ (0.3)</u>	<u>\$ 3.4</u>	<u>\$ 13.6</u>

See accompanying Notes to Unaudited Pro Forma Combined Statement of Operations

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

- (A) Reflects \$18.5 million of additional interest expense due to (1) \$18.0 million of interest on the \$312 million term loan based on an assumed interest rate of 5.75%, and (2) \$0.5 million of incremental amortization of deferred financing costs using the effective interest method over the term of the amended and restated credit agreement.
 - (B) Reflects the related tax impact of the pro forma adjustments assuming a 40% effective tax rate.
 - (C) Certain historical Falk financial information has been reclassified to conform with Rexnord's presentation.
 - (D) Reflects the elimination of \$6.3 million of Falk pension and postretirement expenses for obligations not assumed by Rexnord. Of this total, \$4.2 million was recorded in Cost of Sales, \$1.4 million was recorded in Selling, General and Administrative Expenses, and \$0.7 million was recorded in Restructuring and Other Similar Costs.
 - (E) The \$1.0 million of additional selling, general and administrative expenses reflects the estimated incremental costs to operate Falk under Rexnord's ownership, net of the elimination of allocated UTC corporate expenses.
 - (F) Reflects the elimination of \$4.1 million of Falk interest expense on obligations not assumed by Rexnord.
 - (G) We have engaged a third-party appraiser to value the acquired Falk intangible assets. However, the fair value of these intangible assets is not yet determinable as the appraisals are still in process and we do not yet have reliable preliminary estimates. Accordingly, no pro forma adjustments to record or amortize acquired intangibles have been reflected in the pro forma combined financial information. The amount of amortization of acquired intangibles that ultimately will be recorded will be based on the final third-party appraisals.
 - (H) Reflects the depreciation of the \$35.0 million fair value step-up of property, plant and equipment on a straight-line basis over their estimated weighted average useful lives. This amount is an estimate and may change once the preliminary appraisals used to value the acquired property, plant and equipment are finalized.
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Rexnord Corporation
Unaudited Pro Forma Combined Balance Sheet
March 31, 2005
(dollars in millions)

	Historical Rexnord Corporation	Adjustments for Debt Issuance	Pro Forma After Debt Issuance	Historical The Falk Corporation (C)	Adjustments for Acquisition	Pro Forma Combined After Debt Issuance and Acquisition
Assets						
Current assets:						
Cash	\$ 26.3	\$ 303.4(A)	\$ 329.7	\$ 7.0	\$ (301.4)(G)	\$ 35.3
Receivables, net	127.7	—	127.7	40.9	—	168.6
Inventories	127.7	—	127.7	35.2	8.6 (B)	171.5
Deferred income taxes	—	—	—	5.3	(5.3)(D)	—
Other current assets	18.1	—	18.1	0.7	—	18.8
Total current assets	299.8	303.4	603.2	89.1	(298.1)	394.2
Property, plant and equipment, net	263.9	—	263.9	74.8	35.0 (B)	373.7
Intangible assets, net	111.3	—	111.3	—	— (E)	111.3
Goodwill	575.1	—	575.1	120.7	(120.7)(D) 124.4 (G)	699.5
Other assets	27.3	8.6(A)	35.9	91.3	(88.2)(D)	39.0
Total assets	<u>\$ 1,277.4</u>	<u>\$ 312.0</u>	<u>\$ 1,589.4</u>	<u>\$ 375.9</u>	<u>\$ (347.6)</u>	<u>\$ 1,617.7</u>
Liabilities and stockholders' equity						
Current liabilities:						
Current portion of long-term debt	\$ 3.3	\$ —	\$ 3.3	\$ —	\$ —	\$ 3.3
Affiliate notes and payables	—	—	—	140.8	(140.8)(D)	—
Trade payables	78.3	—	78.3	15.2	—	93.5
Income taxes payable	3.7	—	3.7	8.9	(8.9)(D)	3.7
Deferred income taxes	12.8	—	12.8	—	—	12.8
Compensation and benefits	32.6	—	32.6	6.1	0.6 (F)	39.3
Current portion- pension obligations	13.6	—	13.6	—	—	13.6
Current portion- postretirement benefit obligations	5.7	—	5.7	—	—	5.7
Other current liabilities	30.9	—	30.9	6.3	(0.7)(D)	36.5
Total current liabilities	180.9	—	180.9	177.3	(149.8)	208.4
Long-term debt	503.4	312.0(A)	815.4	—	—	815.4
Pension obligations	75.8	—	75.8	10.6	(10.6)(D)	75.8
Postretirement benefit obligations	34.2	—	34.2	4.5	(4.5)(D)	34.2
Deferred income taxes	50.2	—	50.2	40.0	(40.0)(D)	50.2
Other liabilities	8.2	—	8.2	2.0	(1.2)(D)	9.0
Total liabilities	852.7	312.0	1,164.7	234.4	(206.1)	1,193.0
Stockholders' equity:						
Common stock	0.1	—	0.1	—	—	0.1
Additional paid in capital	361.6	—	361.6	—	—	361.6
Retained earnings	45.4	—	45.4	—	—	45.4
Acc. other comprehensive income	17.6	—	17.6	—	—	17.6
UTC investment	—	—	—	141.5	(141.5)(G)	—
Total stockholders' equity	424.7	—	424.7	141.5	(141.5)	424.7
Total liabilities and stockholders' equity	<u>\$ 1,277.4</u>	<u>\$ 312.0</u>	<u>\$ 1,589.4</u>	<u>\$ 375.9</u>	<u>\$ (347.6)</u>	<u>\$ 1,617.7</u>

See accompanying Notes to Unaudited Pro Forma Combined Balance Sheet

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

- (A) Reflects the issuance of the \$312 million term loan and the payment of \$8.6 million of related deferred financing costs.
- (B) To adjust acquired Falk inventories and property, plant and equipment to estimated fair value. The \$35.0 million adjustment to property, plant and equipment was based on preliminary third-party appraisals. This amount is a preliminary estimate and may change once the appraisals are finalized. The \$8.6 million adjustment to inventory represents the elimination of Falk's historical LIFO reserve. Additional adjustments to state acquired inventories at fair value may be necessary once our analysis is complete.
- (C) Certain historical Falk financial statement amounts have been reclassified to conform with Rexnord presentation.
- (D) Reflects the elimination of certain Falk assets and liabilities not acquired/assumed in the acquisition. These assets and liabilities consist primarily of current and deferred income taxes, pension and postretirement obligations, and affiliate notes and payables.
- (E) We have engaged a third-party appraiser to value the acquired Falk intangible assets. However, the fair value of these intangible assets is not yet determinable as the appraisals are still in process and we do not yet have reliable preliminary estimates. Accordingly, no pro forma adjustments to record acquired intangibles have been reflected in the pro forma combined balance sheet. The amount of acquired intangible assets that ultimately will be recorded will be based on the final third-party appraisals.
- (F) To accrue for certain miscellaneous liabilities directly related to the acquisition. Additional liabilities may ultimately be recorded once our Falk integration plans are finalized.
- (G) To eliminate historical Falk equity and record goodwill resulting from the acquisition based on the following computations, estimates and assumptions:

Purchase price:	\$	295.0
Plus transaction costs		6.4
Total purchase price:		<u>301.4</u>
 Less fair value of net assets acquired		
Net assets per historical Falk balance sheet		141.5
Eliminate historical Falk assets and liabilities not acquired/assumed, including historical goodwill		(7.5)
Fair value adjustments and miscellaneous liabilities related to the acquisition		43.0
Fair value of net assets acquired		<u>177.0</u>
 Equals: Goodwill resulting from the acquisition	 \$	 <u>124.4</u>
