STARRETT L S CO
Form 10-K
September 10, 2009

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

FORM 10-K

(check one)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 27, 2009

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 No. 1-367

THE L.S. STARRETT COMPANY
(Exact name of registrant as specified in its charter)

MASSACHUSETTS (State or other jurisdiction of incorporation or organization)	04-1866480 (I.R.S. Employer Identification No.)
121 CRESCENT STREET, ATHOL, MASSACHUSETTS (Address of principal executive offices)	01331 (Zip Code)

Registrant's telephone number, including area code 978-249-3551

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common - $1.00 Per Share Par Value	New York Stock Exchange
Class B Common - $1.00 Per Share Par Value	Not applicable

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer ¨ Accelerated Filer x

Non-Accelerated Filer ¨ Smaller Reporting Company ¨

(Do not check if a smaller reporting company)

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

The Registrant had 5,739,388 and 879,135 shares, respectively, of its $1.00 par value Class A and B common stock outstanding on December 27, 2008. On December 27, 2008, the last business day of the Registrant's second fiscal quarter, the aggregate market value of the common stock held by nonaffiliates was approximately $105,763,000.

There were 5,788,667 and 863,446 shares, respectively, of the Registrant's $1.00 par value Class A and Class B common stock outstanding as of August 31, 2009.

The exhibit index is located on pages 53-55.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant intends to file a definitive Proxy Statement for the Company's 2009 Annual Meeting of Stockholders within 120 days of the end of the fiscal year ended June 27, 2009. Portions of such Proxy Statement are incorporated by reference in Part III.

Portions of the Proxy Statement for October 14, 2009 Annual Meeting (Part III).

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THE L.S. STARRETT COMPANY

FORM 10-K

FOR THE PERIOD ENDED JUNE 27, 2009

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All references in this Annual Report to “Starrett”, the “Company”, “we”, “our” and “us” means The L.S. Starrett Company and its subsidiaries.

PART I

Item 1 - Business

General

Founded in 1880 by Laroy S. Starrett and incorporated in 1929, the Company is engaged in the business of manufacturing over 5,000 different products for industrial, professional and consumer markets. As a global manufacturer with major subsidiaries in Brazil (1956), Scotland (1958) and China (1997), the Company offers its broad array of products to the market through multiple channels of distribution throughout the world. The Company's products include precision tools, electronic gages, gage blocks, optical and vision measuring equipment, custom engineered granite solutions, tape measures, levels, chalk products, squares, band saw blades, hole saws, hacksaw blades, jig saw blades, reciprocating saw blades, M1® lubricant and precision ground flat stock.

Starrett® is brand recognized around the world for precision, quality and innovation.

Products

The Company's tools and instruments are sold throughout North America and in over 100 foreign countries. By far the largest consumer of these products is the metalworking industry including aerospace, medical, and automotive but other important consumers are marine and farm equipment shops, do-it-yourselfers and tradesmen such as builders, carpenters, plumbers and electricians.

For 129 years the Company has been a recognized leader in providing measurement solutions consisting of hand measuring tools and precision instruments such as micrometers, vernier calipers, height gages, depth gages, electronic gages, dial indicators, steel rules, combination squares, custom and non contact gaging and many other items. Skilled personnel, superior products, manufacturing expertise, innovation and unmatched service has earned the Company its reputation as the "Best in Class" provider of measuring application solutions for industry. During fiscal 2008, the Company enhanced its wireless data collection solutions, making them more customer-friendly and more software-compatible.

The Company's saw product lines enjoy strong global brand recognition and market share. These products encompass a breadth of uses. Over the last twelve months, the Company introduced several new products including its ADVANZ carbide tipped products and its VERSATIX products with a patent pending tooth geometry designed for the cutting of structurals and small solids. This launch was further enhanced through the global introduction of new support programs and marketing collateral. These actions are aimed at positioning Starrett for global growth in wide band products for production applications as well as product range expansions for shop applications. A full line of complementary saw products, including hack, jig, reciprocating saw blades and hole saws provide cutting solutions for the building trades and are offered primarily through construction, electrical, plumbing and retail distributors. During fiscal 2008, the Company was issued a patent for its bi-metal unique® manufacturing process and products. This break-through Split Chip Advantage technology enables the Company to produce saw blades, which are up to 50% stronger and offer up to 170% more contact area than traditional electron beam (EB) products. This technology is now used on many of the Company's saw products.

Recent acquisitions have added to the Company's portfolio of custom measuring solutions that complement the Company's existing special gaging expertise. On July 17, 2007, the Company purchased all of the assets of Kinemetric Engineering. Kinemetric Engineering specializes in precision video-based metrology, specialty motion devices and custom engineered systems for measurement and inspection. Kinemetric Engineering brings a wealth of experience, engineering and manufacturing capability. This business unit also oversees the sales and support of the Company's high quality line of Starrett Optical Projectors, combining to make a very comprehensive product offering.

The Company's custom engineered granite product offering was further enhanced by the acquisition of Tru-Stone Technologies Inc. (Tru-Stone) in fiscal 2006. This strategic acquisition significantly improved the granite surface plate capabilities providing access to high-end metrology markets such as the electronics and flat panel display industry. The consolidation of the Company's granite surface plate operations with Tru-Stone provided savings in labor and operating expenses.

Personnel

At June 27, 2009, the Company had 1,768 employees, approximately 50% of whom were domestic. This represents a net decrease from June 28, 2008 of 453 employees. The headcount reduction is the result of the global recession and includes reductions at all of the Company's operating units with the exception of Mexico.

None of the Company's operations are subject to collective bargaining agreements. In general, the Company considers relations with its employees to be excellent. Domestic employees hold a large share of Company stock resulting from various stock purchase plans. The Company believes that this dual role of owner-employee has strengthened employee morale over the years.

Competition

The Company is competing on the basis of its reputation as the best in class for quality, precision and innovation combined with its commitment to customer service and strong customer relationships. To that end, Starrett is increasingly focusing on providing customer centric solutions. Although the Company is generally operating in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by specific market since none of its competitors offer all of the same product lines offered by the Company or serve all of the markets served by the Company.

The Company is one of the largest producers of mechanics' hand measuring tools and precision instruments. In the United States, there are three other major companies and numerous small competitors in the field, including direct foreign competitors. As a result, the industry is highly competitive. During fiscal 2009, there were no material changes in the Company's competitive position in spite of the current global economic crisis, which is accelerating the migration of American manufacturing jobs to lower cost countries. Internationally, the Company's significant investments in manufacturing and sales operations in China appears to have resulted in market share gains and enhanced brand recognition. The Company's products for the building trades, such as tape measures and levels, are under constant margin pressure due to a channel shift to large national home and hardware retailers. The Company is responding to such challenges by expanding its manufacturing operations in China and in the Dominican Republic. Certain large customers offer private labels ("own brand") that compete with Starrett branded products. These products are often sourced directly from low cost countries.

Saw products encounter competition from several domestic and international sources. The Company's competitive position varies by market segment and country. Continued research and development, new patented products and processes, and strong customer support have enabled the Company to compete successfully in both general and performance oriented applications.

Foreign Operations

The operations of the Company's foreign subsidiaries are consolidated in its financial statements. The subsidiaries located in Brazil, Scotland and China are actively engaged in the manufacturing and distribution of precision measuring tools, saw blades, optical and vision measuring equipment and hand tools. Subsidiaries in Canada, Argentina, Australia, New Zealand, Mexico and Germany are engaged in distribution of the Company's products. The Company expects its foreign subsidiaries to continue to play a significant role in its overall operations. A summary of the Company's foreign operations is contained in Note 14 to the Company's fiscal 2009 financial statements under the caption "OPERATING DATA" found in Item 8 of this Form 10-K.

Orders and Backlog

The Company generally fills orders from finished goods inventories on hand. Sales order backlog of the Company at any point in time is not significant. Total inventories amounted to $60.2 million at June 27, 2009 and $61.1 million at June 28, 2008. The Company uses the last-in, first-out (LIFO) method of valuing most domestic inventories (approximately 55% of all inventories). LIFO inventory amounts reported in the financial statements are approximately $33.7 million and $27.5 million, respectively, lower than if determined on a first-in, first-out (FIFO) basis at June 27, 2009 and June 28, 2008.

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Intellectual Property

When appropriate, the Company applies for patent protection on new inventions and currently owns a number of patents. Its patents are considered important in the operation of the business, but no single patent is of material importance when viewed from the standpoint of its overall business. As noted previously, during fiscal 2008 the Company was issued a patent for its bi-metal unique® manufacturing process and products. The Company relies on its continuing product research and development efforts, with less dependence on its current patent position. It has for many years maintained engineers and supporting personnel engaged in research, product development and related activities. The expenditures for these activities during fiscal years 2009, 2008 and 2007 were approximately $1.6 million, $2.4 million and $2.7 million respectively, all of which were expensed in the Company's financial statements.

The Company uses trademarks with respect to its products and considers its trademark portfolio as one of its most valuable assets. All of the Company's important trademarks are registered and rigorously enforced.

Environmental

Compliance with federal, state, local, and foreign provisions that have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to protection of the environment is not expected to have a material effect on the capital expenditures, earnings and competitive position of the Company. Specifically, the Company has taken steps to reduce, control and treat water discharges and air emissions. The Company takes seriously its responsibility to the environment and has embraced renewable energy alternatives and expects to bring on line a new hydro – generation facility at its Athol, MA plant in 2010 to reduce its carbon foot print and energy costs, an investment in excess of $1 million.

Strategic Activities

Globalization has had a profound impact on product offerings and buying behaviors of industry and consumers in North America and around the world, forcing the Company to adapt to this new, highly competitive business environment. The Company continuously evaluates most all aspects of its business, aiming for new world-class ideas to set itself apart from its competition.

Our strategic concentration is on global brand building and providing unique customer value propositions through technically supported application solutions for our customers. Our job is to recommend and produce the best suited standard product or design and build custom solutions. The combination of the right tool for the right job with value added service will give us a competitive advantage. The Company continues its focus on lean manufacturing, plant consolidations, global sourcing and improved logistics to optimize its value chain.

The execution of these strategic initiatives has expanded the Company's manufacturing and distribution in developing economies which has increased its international sales revenues to 49% of its consolidated sales.

On September 21, 2006, the Company sold its Alum Bank, PA level manufacturing plant and relocated the manufacturing to the Dominican Republic, where production began in fiscal 2005. The tape measure production of the Evans Rule Division facilities in Puerto Rico and Charleston, SC has been transferred to the Dominican Republic. The Company vacated and plans to sell its Evans Rule facility in North Charleston, SC. This move has achieved labor savings while satisfying the demands of its customers for lower prices.

The Tru-Stone acquisition in April 2006 represented a strategic acquisition for the Company in that it provides an enhancement of the Company's granite surface plate capabilities. Profit margins for the Company's standard plate business have improved as the Company's existing granite surface plate facility was consolidated into Tru-Stone, where average gross margins have been higher. Along the same lines, the Kinemetric Engineering acquisition in July 2007 represented another strategic acquisition in the field of precision video-based metrology which, when combined with the Company's existing optical projection line, will provide a very comprehensive product offering.

SEC Filings and Certifications
The Company makes its public filings with the Securities and Exchange Commission ("SEC"), including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at its website, www.starrett.com, as soon as reasonably practicable after the Company files such material with the SEC. Information contained on the Company's website is not part of this Annual Report on Form 10-K.

Item 1A – Risk Factors
SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K and the Company's 2009 Annual Report to Stockholders, including the President's letter, contains forward-looking statements about the Company's business, competition, sales, gross margins, expenditures, foreign operations, plans for reorganization, interest rate sensitivity, debt service, liquidity and capital resources, and other operating and capital requirements. In addition, forward-looking statements may be included in future Company documents and in oral statements by Company representatives to security analysts and investors. The Company is subject to risks that could cause actual events to vary materially from such forward-looking statements, including the following risk factors:

Risks Related to the Economy: The Company's results of operations are materially affected by the conditions in the global economy. As a result of the global economic recession, U.S. and foreign economies have experienced and continue to experience significant declines in employment, household wealth, consumer spending, and lending. Businesses, including the Company and its customers, have faced and are likely to continue to face weakened demand for their products and services, difficulty obtaining access to financing, increased funding costs, and barriers to expanding operations. The Company's results of operations have been negatively impacted by the global economic recession and the Company can provide no assurance that its results of operations will improve.

Risks Related to Reorganization: The Company continues to evaluate to consolidate and reorganize some of its manufacturing and distribution operations. There can be no assurance that the Company will be successful in these efforts or that any consolidation or reorganization will result in revenue increases or cost savings to the Company. The implementation of these reorganization measures may disrupt the Company's manufacturing and distribution activities, could adversely affect operations, and could result in asset impairment charges and other costs that will be recognized if and when reorganization or restructuring plans are implemented or obligations are incurred.

Risks Related to Technology: Although the Company's strategy includes investment in research and development of new and innovative products to meet technology advances, there can be no assurance that the Company will be successful in competing against new technologies developed by competitors.

Risks Related to Foreign Operations: Approximately 49% of the Company's sales and 40% of net assets relate to foreign operations. Foreign operations are subject to special risks that can materially affect the sales, profits, cash flows and financial position of the Company, including taxes and other restrictions on distributions and payments, currency exchange rate fluctuations, political and economic instability, inflation, minimum capital requirements and exchange controls. In fact, during fiscal 2009, the Company experienced negative foreign exchange effects as the British Pound and Brazilian Real weakened against the U.S. dollar. Finally, the Company's Brazilian operations, which constitute over half of the Company's revenues from foreign operations, can be very volatile, changing from year to year due to the political situation, currency risk and the economy. As a result, the future performance of the Brazilian operations may be difficult to forecast.

Risks Related to Industrial Manufacturing Sector: The market for most of the Company's products is subject to economic conditions affecting the industrial manufacturing sector, including the level of capital spending by industrial companies and the general movement of manufacturing to low cost foreign countries where the Company does not have a substantial market presence. Accordingly, economic weakness in the industrial manufacturing sector may, and in some cases has, resulted in decreased demand for certain of the Company's products, which adversely affects sales and performance. Economic weakness in the consumer market will also adversely impact the Company's performance. In the event that demand for any of the Company's products declines significantly, the Company could be required to recognize certain costs as well as asset impairment charges on long-lived assets related to those products.

Risks Related to Competition: The Company's business is subject to direct and indirect competition from both domestic and foreign firms. In particular, low cost foreign sources have created severe competitive pricing pressures. Under certain circumstances, including significant changes in U.S. and foreign currency relationships, such pricing pressures tend to reduce unit sales and/or adversely affect the Company's margins.

Risks Related to Insurance Coverage: The Company carries liability, property damage, workers' compensation, medical and other insurance coverages that management considers adequate for the protection of its assets and operations. There can be no assurance, however, that the coverage limits of such policies will be adequate to cover all claims and losses. Such uncovered claims and losses could have a material adverse effect on the Company. Depending on the risk, deductibles can be as high as 5% of the loss or $500,000.

Risks Related to Raw Material and Energy Costs: Steel is the principal raw material used in the manufacture of the Company's products. The price of steel has historically fluctuated on a cyclical basis and has often depended on a variety of factors over which the Company has no control. The cost of producing the Company's products is also sensitive to the price of energy. The selling prices of the Company's products have not always increased in response to raw material, energy or other cost increases, and the Company is unable to determine to what extent, if any, it will be able to pass future cost increases through to its customers. The Company's inability to pass increased costs through to its customers could materially and adversely affect its financial condition or results of operations.

Risks Related to Stock Market Performance: Currently, the Company's domestic defined benefit pension plan is slightly underfunded. Due to a drop in the stock market, the Company's domestic plan became temporarily underfunded and required the reclassification of prepaid pension cost on the balance sheet from an asset to a contra equity account, thus reducing stockholders' equity and book value per share. This has also occurred for the Company's UK plan, which was underfunded during fiscal 2007, 2008 and 2009.

Risks Related to Acquisitions: Acquisitions, such as the Company's acquisition of Tru-Stone in fiscal 2006 and Kinemetric Engineering in fiscal 2008, involve special risks, including the potential assumption of unanticipated liabilities and contingencies, difficulty in assimilating the operations and personnel of the acquired businesses, disruption of the Company's existing business, dissipation of the Company's limited management resources, and impairment of relationships with employees and customers of the acquired business as a result of changes in ownership and management. While the Company believes that strategic acquisitions can improve its competitiveness and profitability, the failure to successfully integrate and realize the expected benefits of such acquisitions could have an adverse effect on the Company's business, financial condition and operating results.

Risks Related to Investor Expectations: The Company's share price significantly declined during fiscal 2009. The Company's earnings may not continue to grow at rates similar to the growth rates achieved in recent years and may fall short of either a prior quarter or investors' expectations. If the Company fails to meet the expectations of securities analysts or investors, the Company's share price may continue to decline.

Risks Related to the Company's Credit Facility: Under the Company's credit facility with TD Bank, N.A., the Company is required to comply with certain financial covenants. While the Company believes that it will be able to comply with the financial covenants in future periods, its failure to do so would result in defaults under the credit facility unless the covenants are amended or waived. An event of default under the credit facility, if not waived, could prevent additional borrowing and could result in the acceleration of the Company's indebtedness. This could have an impact on the Company's ability to operate its business.

Risks Related to Information Systems: The efficient operation of the Company's business is dependent on its information systems, including its ability to operate them effectively and to successfully implement new technologies, systems, controls and adequate disaster recovery systems. In addition, the Company must protect the confidentiality of data of its business, employees, customers and other third parties. The failure of the Company's information systems to perform as designed or its failure to implement and operate them effectively could disrupt the Company's business or subject it to liability and thereby harm its profitability. For those reasons, the Company is in the process of developing a broader global IT strategy.

Risks Related to Litigation and Changes in Laws, Regulations and Accounting Rules: Various aspects of the Company's operations are subject to federal, state, local or foreign laws, rules and regulations, any of which may change from time to time. Generally accepted accounting principles may change from time to time, as well. In addition, the Company is regularly involved in various litigation matters that arise in the ordinary course of business. Litigation, regulatory developments and changes in accounting rules and principles could adversely affect the Company's business operations and financial performance.

Item 1B – Unresolved Staff Comments

None.

Item 2 - Properties

The Company’s principal plant and its corporate headquarters are located in Athol, MA on about 15 acres of Company-owned land. The plant consists of 25 buildings, mostly of brick construction of varying dates, with approximately 535,000 square feet.

The Company’s Webber Gage Division in Cleveland, OH, owns and occupies two buildings totaling approximately 50,000 square feet.

The Company-owned facility in Mt. Airy, NC consists of one building totaling approximately 320,000 square feet. It is occupied by the Company’s Saw Division, Ground Flat Stock Division and a distribution center. A separate 36,000 square foot building which formerly housed the distribution center was vacated in November 2008 and is currently listed for sale.

The Company’s Evans Rule Division owns a 173,000 square foot building in North Charleston, SC. In fiscal 2006, manufacturing operations were moved to a new 50,000 square foot facility in the Dominican Republic from both the North Charleston site and Mayaguez, Puerto Rico operations. The Company now occupies a 3,400 square foot leased office in North Charleston for administrative personnel and has the North Charleston property listed for sale.

The Company’s Exact Level Division was relocated to the Evans Rule facility in the Dominican Republic. Its 50,000 square foot building located in Alum Bank, PA was sold on September 21, 2006.

The Company’s subsidiary in Itu, Brazil owns and occupies several buildings totaling 209,000 square feet. The Company’s subsidiary in Jedburgh, Scotland owns and occupies a 175,000 square foot building. Two wholly owned subsidiaries in Suzhou and Shanghai (People’s Republic of China), lease approximately 41,000 square feet and 5,000 square feet, respectively. The Company signed a lease for a new 133,000 square foot building in Suzhou to accommodate our need for increased manufacturing space. We plan to close the Shanghai distribution center and sales office and consolidate all operations into the new building.

In addition, the Company operates warehouses and/or sales-support offices in the U.S., Canada, Australia, New Zealand, Mexico, Germany, Japan, and Argentina.

A warehouse in Glendale, AZ encompassing 35,000 square feet was closed in fiscal 2006 and the building was sold during fiscal 2008.

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With the acquisition of Tru-Stone in fiscal 2006, the Company added a 90,000 square foot facility in Waite Park, MN.

With the acquisition of Kinemetric Engineering in fiscal 2008, the Company added a 9,000 square foot leased facility in Laguna Hills, CA, which was expanded to 14,000 square feet.

The Company has vacated a sales office in Kennesaw, GA and plans to terminate the lease.

In the Company's opinion, all of its property, plants and equipment are in good operating condition, well maintained and adequate for its needs.

Item 3 - Legal Proceedings

The Company is, in the ordinary course of business, from time to time involved in litigation that is not considered material to its financial condition or operations.

Item 4 - Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2009.

PART II

Item 5 - Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Class A common stock is traded on the New York Stock Exchange. Quarterly dividend and high/low closing market price information is presented in the table below. The Company's Class B common stock is generally nontransferable, except to lineal descendants, and thus has no established trading market, but it can be converted into Class A common stock at any time. The Class B common stock was issued on October 5, 1988, and the Company has paid the same dividends thereon as have been paid on the Class A common stock since that date. On June 27, 2009, there were approximately 5,100 registered holders of Class A common stock and approximately 1,900 registered holders of Class B common stock.

Quarter Ended	Dividends	High	Low
September 2007	$ 0.10	19.48	15.27
December 2007	0.20	20.27	17.00
March 2008	0.10	19.99	13.69
June 2008	0.12	23.83	18.15
September 2008	0.12	28.50	13.50
December 2008	0.12	21.80	9.51
March 2009	0.12	16.31	5.30
June 2009	0.12	11.42	6.01

While the Company's dividend policy is subject to periodic review by the Board of Directors, the Company currently intends to continue to pay comparable dividends in the future.

ISSUER PURCHASES OF EQUITY SECURITIES

Summary of Stock Repurchases:

A summary of the Company's repurchases of shares of its common stock for the fourth quarter fiscal 2009 is as follows:

Period	Shares Purchased

		Average Price	Shares Purchased Under Announced Programs	Shares yet to be Purchased Under Announced Programs
April 2009	None	–	–	–
May 2009	None	–	–	–
June 2009	None	–	–	–

PERFORMANCE GRAPH

The following graph sets forth information comparing the cumulative total return to holders of the Company's Class A common stock over the last five fiscal years with (1) the cumulative total return of the Russell 2000 Index ("Russell 2000") and (2) a peer group index (the "Peer Group") reflecting the cumulative total returns of certain small cap manufacturing companies as described below. The peer group is comprised of the following companies: Acme United, Q.E.P. Co. Inc., Thermadyne Holdings Corp., Badger Meter, Federal Screw Works, National Presto Industries, Regal-Beloit Corp., Tecumseh Products Co., Tennant Company, The Eastern Company and WD-40.

	BASE	FY2005	FY2006	FY2007	FY2008	FY2009
STARRETT	100.00	115.51	88.66	121.98	162.11	48.59
RUSSELL 2000	100.00	109.45	125.40	146.01	122.36	91.76
PEER GROUP	100.00	110.10	140.46	162.20	162.58	143.14

Item 6 - Selected Financial Data

	Years ended in June ($000 except per share data)				
	2009	2008	2007	2006	2005
Net sales	$ 203,659	$ 242,371	$ 222,356	$ 200,916	$ 195,909
Net earnings (loss)	(3,220)	10,831	6,653	(3,782)	3,979
Basic earnings (loss) per share	(0.49)	1.64	1.00	(0.57)	0.60
Diluted earnings (loss) per share	(0.49)	1.64	1.00	(0.57)	0.60
Long-term debt (1)	1,264	5,834	8,520	13,054	2,885
Total assets	194,241	250,285	234,011	228,082	224,114
Dividends per share	0.48	0.52	0.40	0.40	0.40

(1) Note that the significant increase in long-term debt in fiscal 2006 is related to the Tru-Stone acquisition.

Items 7 and 7A- Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure about Market Risk
RESULTS OF OPERATIONS

Fiscal 2009 Compared to Fiscal 2008

Overview The Company is engaged in the business of manufacturing over 5,000 different products for industrial, professional and consumer markets. As a global manufacturer with major subsidiaries in Brazil, Scotland, and China, the Company offers a broad array of products to the market through multiple channels of distribution globally. Net sales decreased 16% in fiscal 2009 compared to fiscal 2008. The Company continued to experience the severity of the global economic recession during the most recent quarter. The severe decline is due to the unprecedented slowdown in the global economy and the rapid strengthening of the U.S. dollar. This is a direct reflection of the financial market crisis, lack of liquidity and weak consumer confidence. The resultant effect has been a massive de-stocking throughout the supply chain which caused the most significant drop in Company sales in the third quarter ending March 28, 2009 in the past thirty years. Historically, the Company has lagged the economy and we expect the current harsh economic realities will be with the Company for the balance of this calendar year. For fiscal 2009, the Company incurred a net loss of $3.2 million, or $(0.49) per basic and diluted share compared to a net income of $10.8 million or $1.64 per basic and diluted share for fiscal 2008. This represents a decrease of $14.0 million comprised of a decrease in gross margin of $16.7 million, the aforementioned goodwill charge of $5.3 million, a decrease of $3.3 million in other income (expense) offset by a decrease of $2.8 million in selling, general and administrative costs and a decrease in income tax expense of $8.4 million from a $6.1 million provision in fiscal 2008 to a $2.3 million benefit in fiscal 2009. The above items are discussed below.

Net Sales Net sales for fiscal 2009 were down $38.7 million or 16% compared to fiscal 2008. North American sales decreased $27.7 million or 21%, reflecting declining U.S. demand partly caused by the widening of the recession in the manufacturing sector, decreased sales in Canada and Mexico, and lower Evans Rule sales. The declines are primarily related to unit volume declines. The impact of any price concessions and new product sales was not material. It is likely that the Company's results will continue to be impacted by the current global economic recession. Foreign sales (excluding North America) decreased 9.9% (1% increase in local currency), driven by the weakening of the Brazilian Real, British Pound, Euro, and Australian Dollar against the U.S. dollar, offset by a growth in Chinese operations ($0.4 million increase). Beyond exchange rate effects, the declines were mainly related to unit volume declines relative to the global economic collapse.

Earnings (loss) before taxes (benefit) The pre-tax loss for fiscal 2009 was $5.6 million, which includes $5.3 million impairment charge for goodwill, compared to pre-tax earnings of $16.9 million for fiscal 2008. This represents a decrease of pre-tax earnings of $22.4 million. This is comprised of a decrease in gross margin of $16.7 million and a decrease of $3.3 million in other income offset by a decrease in selling, general and administrative costs of $2.8 million. The decrease in gross margin is primarily attributable to the overall decline in sales from fiscal 2008 to fiscal 2009 ($10.5 million gross margin effect).

The gross margin percentage decreased from 31.5% in fiscal 2008 to 29.2% in fiscal 2009. This was primarily driven by lower overhead absorption at certain domestic plants due to lower sales volumes ($4.5 million effect). Similarly, lower absorption at foreign plants due to lower sales volumes caused a $.2 million decline. This was compounded by certain material cost increases that could not be fully passed on to customers. LIFO liquidations in fiscal 2009 had an offsetting effect of $1.8 million. LIFO liquidations in fiscal 2008 were not considered material. Gross margins for fiscal 2010 could again be adversely impacted by lower absorption rates and material cost increases, which cannot be fully passed on to customers and by increased competitive pressures in various markets. As indicated above, selling, general and administrative costs decreased $2.8 million, although the percentage of sales increased from 25.9% in fiscal 2008 to 29.4% in fiscal 2009. The dollar decrease is a result of decreased sales commissions, profit sharing and bonuses ($1.9 million), decreases in marketing and advertising ($.4 million), a decrease in shipping costs ($.4 million), offset by increases in severance cost ($.7 million) and the bad debt provision ($.3 million). The decrease in other income (expense) is comprised of a decrease in net interest income ($.7 million), decreased net exchange gains ($.4 million) and the gain on the sale of the Glendale, AZ facility ($1.7 million) in fiscal 2008. The Company currently includes the Evans North Charleston building and a building in Mount Airy, NC on the June 27, 2009 Balance Sheet as assets held for sale of $2.8 million. The Company expects to sell both buildings for a gain based on a recent appraisal.

In response to the downturn in sales volume, the Company has reduced spending on raw materials and indirect production costs. The Company has also cut salaries at certain locations by 10% and has reduced hourly labor costs through shortened work weeks, layoffs and attrition. These reductions are done with careful consideration so as not to compromise customer service levels or the retention of key employees. This is having an approximate $2.0 million impact per quarter on cost of sales and selling, general and administrative costs. In addition, layoffs instituted in April 2009 at certain domestic locations, are having an approximate $1.1 million impact per quarter on cost of sales and selling, general and administrative costs. Finally, a reduction in labor force in Brazil is expected to have a $.2 million impact per quarter. This is in addition to temporary salary cuts in Brazil taking place over the next 6 months for a savings of $.4 million. Although the Company’s recent order activity is down compared to historical levels, this decline is spread relatively proportionately across most of our customers. The Company fully expects order activity to rebound once the supply chain de-stocking abates and excess inventory levels at the Company’s distributors are depleted. The Company does not anticipate any liquidity constraints given the adequacy of its working capital and its available credit line. See further discussion under Liquidity and Capital Resources.

Significant Fourth Quarter Activity As shown in footnote 14 to the Consolidated Financial Statements, the Company incurred a loss before income taxes of $3.9 million during the fourth quarter of fiscal 2009. This was primarily attributable to the decrease in gross margin caused by the 9% decrease in sales from the third to fourth quarter and to the recording of a $.8 million severance charge by the Company’s Brazilian subsidiary.

Income Taxes The effective rate was 42.0% for fiscal 2009, reflecting a combined federal, state and foreign worldwide rate adjusted for permanent book/tax differences, the most significant of which is the deduction allowable for the Brazilian dividend distributed in December 2008. The effective rate was 36.0% for fiscal 2008, reflecting similar components as fiscal 2009. A portion of recorded valuation allowances for certain foreign NOL’s were eliminated during fiscal 2009 and fiscal 2008, reflecting current usage based upon current earnings. The change in the effective rate percentage from fiscal 2008 to fiscal 2009 reflects the greater impact of permanent book/tax differences on a lower base due to the loss in fiscal 2009.

No changes in valuation allowances relating to carryforwards for foreign NOL’s, foreign tax credits and certain state NOL’s are anticipated at this time other than reversals relating to realization of NOL benefits for certain foreign subsidiaries. The Company continues to believe it is more likely than not that it will be able to utilize its tax operating loss carryforward assets of approximately $8.8 million reflected on the balance sheet.

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Fiscal 2008 Compared to Fiscal 2007

Overview For fiscal 2008, the Company realized net income of $10.8 million, or $1.64 per basic and diluted share compared to a net income of $6.7 million or $1.00 per basic and diluted share for fiscal 2007. This represents an increase in net income of $4.1 million comprised of an increase in gross margin of $10.4 million, an increase of $7.1 million in selling, general and administrative costs, an increase in other income (expense) of $4.7 million and an increase in income tax expense of $3.9 million from $2.2 million to $6.1 million. The above items are discussed in more detail below.

Net Sales Net sales for fiscal 2008 were up $20.0 million or 9% compared to fiscal 2007. North American sales increased .9% reflecting steady U.S. demand, increased sales in Canada, increased penetration in Mexico, and the acquisition of Kinemetrics on July 17, 2007, offset by lower Evans sales to Sears. Excluding the Evans Rule Division, North American sales increased $2.6 million (2%). Foreign sales (excluding North America) increased 22% (8% increase in local currency) driven by the strengthening of the Brazilian Real against the U.S. dollar, the strengthening of the British Pound against the U.S. dollar, growing sales for the Chinese operations ($2.8 million increase) and greater expansion worldwide into newer markets, including Eastern Europe, the Middle East and China.

Earnings (loss) before taxes (benefit) Pre-tax earnings for fiscal 2008 was $16.9 million compared to pre-tax earnings of $8.9 million for fiscal 2007. This represents an increase in pre-tax earnings of $8.0 million or an increase of 90% over the prior year. This is comprised of an increase in gross margin of $10.4 million and other income of $4.7 million, offset by an increase in selling, general and administrative costs of $7.1 million. The gross margin percentage increased from 29.6% in fiscal 2007 to 31.5% in fiscal 2008. This was primarily driven by better overhead absorption at certain domestic plants due to higher sales volumes ($1 million), the impact of lean manufacturing initiatives, a reduction in cost of sales at the Evans Rule Division, and better overhead absorption at the U.K. and Brazilian operations ($2.0 million). This increase was achieved in spite of certain material cost increases that could not be fully passed on to customers. Effects from LIFO liquidations in fiscal 2008 and 2007 were not considered material. Gross margins for fiscal 2009 could again be adversely impacted by material cost increases which cannot be fully passed on to customers and by increased competitive pressures in various markets. As indicated above, selling, general and administrative costs increased $7.1 million from fiscal 2007 to fiscal 2008, as the percentage of sales increased slightly from 25.0% in fiscal 2007 to 25.9% in fiscal 2008. The increase is a result of increased sales commissions, profit sharing and bonuses ($2.5 million), increases in marketing and advertising primarily relating to new product introductions ($.3 million), and the inclusion of nearly a full year of Kinemetrics' selling, general and administrative costs in fiscal 2008 ($1.9 million), and an increase in bad debt write-offs ($.1 million). The increase in other income (expense) from fiscal 2007 to fiscal 2008 of $4.7 million is a net of increased net interest income, increased net exchange gains and the higher gain on the sale of the Glendale, AZ facility ($1.7 million) in fiscal 2008 versus the gain on the sale of the Alum Bank plant in fiscal 2007 ($.3 million). The Company currently includes the Evans North Charleston facility on June 28, 2008 Balance Sheet as an asset held for sale of $1.9 million.

Significant Fourth Quarter Activity As shown in footnote 14 to the Consolidated Financial Statements, only $2.2 million of the $10.8 million of net income realized during fiscal 2008 was earned in the fourth quarter. This reflects the recording of the profit sharing plan accrual of $.9 million for eligible domestic employees and a $.2 million accrual for executive bonuses. Both of these plans were approved by the Company's Board of Directors in June 2008 and as such, the entire year's accrual was recorded in the fourth quarter. In addition, certain offsetting adjustments were made for transfer pricing and return-to-provision adjustments netting to $.3 million in the fourth quarter.

Income Taxes The effective income tax rate was 36.0% for fiscal 2008, reflecting a combined federal, state and foreign worldwide rate adjusted for permanent book/tax differences, the most significant of which is the deduction allowable for the Brazilian dividend paid in December 2007. The effective tax rate for fiscal 2007 was 25%, reflecting the benefits of a release of tax reserves, the elimination of the valuation allowances for certain state and foreign NOL's and the benefit of the tax treatment of the Brazilian dividend. A net reduction resulted from a release of tax reserves, resulting from the close out of certain examination years and additional analysis of transfer pricing exposure and return to provision adjustments resulting from the preparation of various tax returns. Valuation allowances were eliminated during fiscal 2007 for certain state and foreign NOL's as strong earnings in fiscal 2007 increased the likelihood of realizing the benefits of those NOL's. Only minor changes in valuation allowances were made in fiscal 2008. The change in the effective rate percentage from fiscal 2007 to fiscal 2008 primarily relates to the fiscal 2007 release of the tax reserves and valuation allowance, as well as additional reserves for transfer pricing issues provided in fiscal 2008.

FINANCIAL INSTRUMENT MARKET RISK

Market risk is the potential change in a financial instrument's value caused by fluctuations in interest and currency exchange rates, and equity and commodity prices. The Company's operating activities expose it to risks that are continually monitored, evaluated and managed. Proper management of these risks helps reduce the likelihood of earnings volatility.

As of June 28, 2008, the Company held $2.5 million in AAA-rated auction rate securities for which there were no current active quoted market prices. The Company liquidated this $2.5 million in September 2008 through November 2008 through the broker's announced buyback program for auction rate securities. Thus, the above securities were all redeemed at par value. No such investments are held as of June 27, 2009.

During fiscal 2008 and fiscal 2009, the Company was party to an interest swap arrangement more fully described in Note 11 to the Consolidated Financial Statements. This arrangement expired on April 28, 2009. The Company does not engage in tracking, market-making or other speculative activities in derivatives markets. The Company does not enter into long-term supply contracts with either fixed prices or quantities. The Company engages in a limited amount of hedging activity to minimize the impact of foreign currency fluctuations. Net foreign monetary assets are approximately $6.9 million as of June 27, 2009.

A 10% change in interest rates would not have a significant impact on the aggregate net fair value of the Company's interest rate sensitive financial instruments (primarily variable rate investments of $2.4 million) or the cash flows or future earnings associated with those financial instruments. A 10% change in interest rates would impact the fair value of the Company's fixed rate investments of approximately $1.8 million by an immaterial amount. See Note 11 to the Consolidated Financial Statements for details concerning the Company's long-term debt outstanding of $1.3 million.

LIQUIDITY AND CAPITAL RESOURCES

	Years ended in June ($000)		
	2009	2008	2007
Cash provided by operations	$ 659	$ 19,012	$ 12,849
Cash provided by (used in) investing activities	5,469	(13,584)	(852)
Cash (used in) financing activities	(1,298)	(6,851)	(8,652)

The significant increase in cash provided by operations from fiscal 2007 to fiscal 2008 was primarily driven by the $4.1 million improvement in net earnings, and an increase in non-cash items and other working capital changes ($2.0 million). Conversely, the significant decrease in cash provided by operations from fiscal 2008 to fiscal 2009 is primarily driven by the $14.1 million decrease in net earnings and working capital changes ($7.1 million). The non-cash items relating to depreciation and amortization are not expected to change significantly over the next few years.

"Retirement benefits" under noncash expenses in the detailed cash flow statement shows the effect on operating cash flow of the Company's pension and retiree medical plans. Primarily because the Company's domestic defined benefit plan had been overfunded, retirement benefits in total generated approximately $1.6 million, $2.8 million and $1.1 million of noncash income in fiscal 2009, 2008 and 2007, respectively. Consolidated retirement benefit expense (income) was approximately $(0.8) million in 2009, $(1.7) million in 2008, and $.1 million in 2007.

As disclosed in Note 10 to the Company's Consolidated Financial Statements, the overfunding status has been eliminated by current market conditions. However, the Company does not expect to be required to provide any funding to its domestic pension plan until 2011.

At the start of fiscal 2007, the Company switched from self-funding to a fixed monthly premium for both its domestic employee health care plans and its domestic worker's compensation plan. This has reduced the cash flow uncertainty related to these Company expenses.

The Company's investing activities consisted of the acquisition of Kinemetric Engineering in fiscal 2008, expenditures for plant and equipment, the investment of cash not immediately needed for operations and the proceeds from the sale of Company assets. Expenditures for plant and equipment have increased over each of the three years, although they are less than depreciation expense in each of those years. The Company will continue to invest in plant and equipment as necessary to optimize the operations of its plants. Details of the Kinemetric acquisition are disclosed in Note 6 to the Consolidated Financial Statements.

Cash flows used in financing activities are primarily the payment of dividends. The Company increased its dividend from $.10 per share to $.12 per share during the fourth quarter of fiscal 2008. The Company has paid during fiscal 2009 and expects to consistently pay this increased dividend in the near future. The proceeds from the sale of stock under the various stock plans has historically been used to purchase treasury shares, although in recent years such purchases have been curtailed. Purchases for fiscal 2009 and fiscal 2008 amounted to $.3 million and $.3 million, respectively. Overall debt has increased slightly from $10.0 million at the end of fiscal 2008 to $11.4 million at the end of fiscal 2009, primarily due to an increase in capitalized lease obligations in Brazil. However, as described in Note 11, the amount outstanding on the Company's line of credit as of August 31, 2009 is $2.5 million.

Effects of translation rate changes on cash primarily result from the movement of the U.S. dollar against the British Pound, the Euro and the Brazilian Real. The Company uses a limited number of forward contracts to hedge some of this activity and a natural hedge strategy of paying for foreign purchases in local currency when economically advantageous.

Liquidity and Credit Arrangements

The Company believes it maintains sufficient liquidity and has the resources to fund its operations in the near term. If the Company is unable to maintain consistent profitability, additional steps, beyond the salary reductions, layoffs, shortened work weeks as noted above, will have to be taken in order to maintain liquidity, including plant consolidations and work force and dividend reductions (see comments above). In addition to its cash and investments, the Company had maintained a $10 million line of credit, of which, as of June 27, 2009, $975,000 is being utilized in the form of standby letters of credit for insurance purposes. On April 28, 2009, the Company signed an amendment to its existing line of credit agreement extending the termination date of such agreement from April 28, 2009 to June 30, 2009. With this amendment, the scheduled principal payment of $2.4 million due under the Reducing Revolver was extended to June 30, 2009. Under the current credit line, the interest rate at June 27, 2009 for the Reducing Revolver is LIBOR plus 1.5% and 3.25% (Prime) for the line of credit. The Company has a working capital ratio of 4.4 to one as of June 27, 2009 and 4.8 to one as of June 28, 2008.

On June 30, 2009, The L.S. Starrett Company (the "Company") and certain of the Company's subsidiaries (the "Subsidiaries") entered into a Loan and Security Agreement (the "New Credit Facility") with TD Bank, N.A., as lender.

The New Credit Facility replaced the Company's previous Bank of America facility with a $23 million line of credit. On June 30, 2009, the Company utilized this line of credit to pay off the remaining balances on the Reducing Revolver and Line of Credit. The interest rate under the New Credit Facility is based upon a grid which uses the ratio of Funded Debt/EBITDA to determine the floating margin that will be added to one-month LIBOR. The initial rate is one-month LIBOR plus 1.75%. The New Credit Facility matures on April 30, 2012.

The obligations under the New Credit Facility are unsecured. However, in the event of certain triggering events, the obligations under the New Credit Facility will become secured by the assets of the Company and the subsidiaries party to the New Credit Facility.

Availability under the New Credit Facility is subject to a borrowing base comprised of accounts receivable and inventory. The Company believes that the borrowing base will consistently produce availability under the New Credit Facility in excess of $23 million. In addition, the Company anticipates that it will not need to fully utilize the amounts available to the Company and its subsidiaries under the New Credit Facility. As of August 31, 2009, the Company had borrowings of $2.5 million under the New Credit Facility.

The New Credit Facility contains financial covenants with respect to leverage, tangible net worth, and interest coverage, and also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, acquisitions, asset dispositions, and fundamental corporate changes, and certain customary events of default. Upon the occurrence and continuation of an event of default, the lender may terminate the revolving credit commitment and require immediate payment of the entire unpaid principal amount of the New Credit Facility, accrued interest and all other obligations. As of June 30, 2009, the Company was in compliance with the covenants required for testing at that time under the New Credit Facility.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements as defined under the Securities and Exchange Commission rules.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The second footnote to the Company’s Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements.

Judgments, assumptions, and estimates are used for, but not limited to, the allowance for doubtful accounts receivable and returned goods; inventory allowances; income tax reserves; employee turnover, discount, and return rates used to calculate pension obligations.

Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the Company’s Consolidated Financial Statements. The following sections describe the Company’s critical accounting policies.

Sales of merchandise and freight billed to customers are recognized when title passes and all substantial risks of ownership change, which generally occurs either upon shipment or upon delivery based upon contractual terms. Sales are net of provisions for cash discounts, returns, customer discounts (such as volume or trade discounts), cooperative advertising and other sales related discounts. Outbound shipping costs absorbed by the Company and inbound freight included in material purchases are included in the cost of sales.

The allowance for doubtful accounts of $0.7 million and $0.7 million at the end of fiscal 2009 and 2008, respectively, is based on our assessment of the collectability of specific customer accounts, the aging of our accounts receivable. While the Company believes that the allowance for doubtful accounts is adequate, if there is a deterioration of a major customer’s credit worthiness, actual defaults are higher than our previous experience, or actual future returns do not reflect historical trends, the estimates of the recoverability of the amounts due the Company and sales could be adversely affected.

Inventory purchases and commitments are based upon future demand forecasts. If there is a sudden and significant decrease in demand for our products or there is a higher risk of inventory obsolescence because of rapidly changing technology and requirements, the Company may be required to increase the inventory reserve and, as a result, gross profit margin could be adversely affected.

The Company generally values property, plant and equipment (PP&E) at historical cost less accumulated depreciation. Impairment losses are recorded when indicators of impairment, such as plant closures, are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. The Company continually reviews for such impairment and believes that PP&E is being carried at its appropriate value.

The Company assesses the fair value of its goodwill generally based upon a discounted cash flow methodology. The discounted cash flows are estimated utilizing various assumptions regarding future revenue and expenses, working capital, terminal value, and market discount rates. If the carrying amount of the goodwill is greater than the fair value an impairment charge is recognized to the extent the recorded goodwill exceeds the implied fair value of goodwill.

Accounting for income taxes requires estimates of future benefits and tax liabilities. Due to temporary differences in the timing of recognition of items included in income for accounting and tax purposes, deferred tax assets or liabilities are recorded to reflect the impact arising from these differences on future tax payments. With respect to recorded tax assets, the Company assesses the likelihood that the asset will be realized. If realization is in doubt because of uncertainty regarding future profitability or enacted tax rates, the Company provides a valuation allowance related to the asset. Should any significant changes in the tax law or the estimate of the necessary valuation allowance occur, the Company would record the impact of the change, which could have a material effect on our financial position or results of operations.

Pension and postretirement medical costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, healthcare cost trends, inflation, salary growth, long-term return on plan assets, employee turnover rates, retirement rates, mortality and other factors. These assumptions are made based on a combination of external market factors, actual historical experience, long-term trend analysis, and an analysis of the assumptions being used by other companies with similar plans. Actual results that differ from assumptions are accumulated and amortized over future periods. Significant differences in actual experience or significant changes in assumptions would affect pension and other postretirement benefit costs and obligations. See also Employee Benefit Plans (Note 10 to the Consolidated Financial Statements).

CONTRACTUAL OBLIGATIONS

The following table summarizes future estimated payment obligations by period. The majority of the obligations represent commitments for production needs in the normal course of business.

	Payments due by period (in millions)				
	Total	<1yr.	1-3yrs.	3-5yrs.	>5yrs.
Post-retirement benefit obligations	$ 7.6	$ .8			