

EASTERN CO  
Form DEF 14A  
March 17, 2009  
**THE EASTERN COMPANY**

**112 Bridge Street**

**P.O. Box 460**

**Naugatuck, CT 06770-0460**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**April 22, 2009**

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The Annual Meeting of shareholders of The Eastern Company ( Eastern or the Company ) will be held on April 22, 2009 at 11:00 a.m., local time, at the office of the Company, 112 Bridge Street, Naugatuck, Connecticut 06770-0460, for the following purposes:

1. To elect two directors.
2. To ratify the Audit Committee's recommendation and the Board of Directors' appointment of UHY LLP as the independent registered public accounting firm to audit the consolidated financial statements of the Company and its subsidiaries for the fiscal year 2009.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed February 25, 2009 as the record date for the determination of common shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we urge you to sign, date and return the enclosed proxy card promptly in the postpaid return envelope that is provided or call the toll free number provided on the enclosed proxy card. If you attend the meeting and desire to vote in person, your proxy will not be used.

All shareholders are cordially invited to attend the meeting, and management looks forward to seeing you there.

By order of the Board of Directors,

Theresa P. Dews

*Secretary*

March 17, 2009

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**PROXY STATEMENT**

of

**THE EASTERN COMPANY**

**for the Annual Meeting of Shareholders**

**To Be Held on April 22, 2009**

The Board of Directors of The Eastern Company ( Eastern or the Company ) is furnishing this proxy statement in connection with its solicitation of proxies for use at the 2009 Annual Meeting of Shareholders and at any adjournment thereof. This proxy statement is first being furnished to shareholders on or about March 17, 2009.

**GENERAL INFORMATION REGARDING VOTING AT THE ANNUAL MEETING**

The Board of Directors of Eastern has fixed the close of business on February 25, 2009 as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. On the record date, there were 5,965,681 outstanding shares of Eastern common stock, no par value ( Common Shares ), with each Common Share entitled to one vote.

The presence, in person or by proxy, of holders of a majority of the voting power of the Common Shares entitled to vote at the Annual Meeting is necessary to constitute a quorum.

Shares represented by Eastern's proxy card will be voted at the Annual Meeting, either in accordance with the directions indicated on the proxy card, or, if no directions are indicated, in accordance with the recommendations of the Board of Directors contained in this Proxy Statement and on the form of proxy. If a proxy is signed and returned without specifying choices, the Common Shares represented thereby will be voted (1) **FOR** the proposal to elect Messrs. Robinson and Tuttle to the Board of Directors and (2) **FOR** the appointment of UHY LLP as the independent registered public accounting firm. The Company is not aware of any matters other than those set forth herein which will be presented for action at the Annual Meeting. If other matters should be presented, the persons named in the proxy intend to vote such proxies in accordance with their best judgment.

A shareholder may revoke the appointment of a proxy by making a later appointment or by giving notice of revocation to The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460. Attendance at the Annual Meeting does not in itself revoke the appointment of a proxy; however, it may be revoked by giving notice in open meeting. A revocation made during the Annual Meeting after the polls have been closed will not affect the previously taken vote.

**Solicitation of Proxies**

The cost of solicitation of proxies will be borne by the Company. This solicitation by mail to the Company's shareholders (including this proxy statement and the enclosed proxy) began on approximately March 17, 2009. In addition to this solicitation by mail, officers and regular employees of the Company and its subsidiaries may make solicitation by mail, telephone or personal interviews, and arrangements may be made with companies, brokerage firms, and others to forward proxy material to their principals. The Company will defray the expenses of such additional solicitations (the cost of which is not known at this time).

The proxy statement is also available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

**Voting at the Annual Meeting**

A plurality of the votes duly cast is required for the election of directors. Each of the other matters to be acted upon at the Annual Meeting will be approved if the votes cast in favor of the matter exceed the votes cast opposing the matter.

Under Connecticut law, an abstaining vote or a broker non-vote is considered to be present for purposes of determining a quorum but is not deemed to be a vote cast. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. As a result, abstentions and broker non-votes are not included in the tabulation of the voting results on the election of directors or the other matters to be acted on at the Annual Meeting, each of which requires the approval of a plurality or majority of the votes cast, and therefore do not have the effect of votes of opposition in such tabulations.

**The Board of Directors recommends voting:**

**FOR the election of Messrs. Robinson and Tuttle as directors.**

**FOR the appointment of UHY LLP as the independent registered public accounting firm.**

**Item No. 1**

**ELECTION OF DIRECTORS**

At the meeting, two directors will be elected to serve for three-year terms which expire in 2012 or until their successors are elected and qualified. Mr. David C. Robinson and Mr. Donald S. Tuttle III, current directors whose terms expire in 2009, are the nominees for election at the meeting.

Unless otherwise specified in your proxy, the persons with power of substitution named in the proxy card will vote your shares **FOR** the Company's nominees named below. If the nominees are unable or unwilling to accept nomination, the proxies will be voted for the election of such other persons as may be recommended by the Board of Directors. The Board of Directors, however, has no reason to believe that the Company's nominees will be unavailable for election at the Annual Meeting. Approval of this resolution requires the affirmative vote of a plurality of the votes duly cast by the shares represented at the meeting which are entitled to vote on the matter.

**The Board of Directors recommends a vote FOR the election of Mr. Robinson and Mr. Tuttle as directors.**

Each director has furnished the biographical information set forth below with respect to his present principal occupation, business and other affiliations, and beneficial ownership of equity securities of the Company. Unless otherwise indicated, each director has been employed in the principal occupation or employment listed for at least the past five years.

**COMPANY NOMINEES FOR ELECTION AT THE 2009 ANNUAL MEETING**

**FOR A THREE-YEAR TERM EXPIRING IN 2012**

Name, Age and Positions	Principal Occupation During	Director	Common Stock	
			Beneficially	Percentage
Presently Held with	Past Five Years:	Since	Owned as of	Of
<u>The Company</u>	<u>Other Directorships</u>	<u>Since</u>	<u>February 25, 2009</u>	<u>Class</u>
David C. Robinson, 66	Business Consultant (Aug 2006 - Present)	1990	124,972	2.1%
Director 1,2,3	Consultant (Nov 2005 - Aug 2006)			
	Sinclair-Robinson Group			
	Wallingford, CT			

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Managing Director (Aug 2004 - Nov 2005)

Sinclair-Robinson Group

Wallingford, CT

(Employee Benefit Specialists)

President (Through Jul 2004)

The Robinson Company

Waterbury, CT

(Employee Benefit Specialists)

Donald S. Tuttle III, 60

Business Consultant (May 2008 - Present)

1988

125,575

2.1%

Director 1,2,3

Vice President Investments

(Through May 2008)

UBS Financial Services, Inc.

Middlebury, CT

(Investment Firm)

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**CONTINUING DIRECTORS (TERMS TO EXPIRE IN 2011)**

Name, Age and Positions  Presently Held with  <u>The Company</u>	Principal Occupation During		Common Stock Beneficially Percentage	
	Past Five Years:	Director	Owned as of	Of
	<u>Other Directorships</u>	<u>Since</u>	<u>February 25, 2009</u>	<u>Class</u>
John W. Everets, 62  Director 2,3	Chairman (Jan 2006 - Present)	1993	58,387	1.0%
	Yorkshire Capital  Boston, MA  (Investment Firm)  President and CEO (Jan 2004 - Dec 2005)  G.E. H.P.S.C.  Boston, MA  (Financial Services)  Chairman and CEO (July 1993 - Jan 2004)  H.P.S.C.  Boston, MA  (Financial Services)  Director: M.F.I. Inc.  Financial Security Assurance (FSA)			
Leonard F. Leganza, 78  Director, Chairman,  President and Chief  Executive Officer  of the Company 1	Chairman, President & CEO  The Eastern Company  Naugatuck, CT  Director: American-Republican Inc.	1981	221,703	3.6%

**CONTINUING DIRECTOR (TERM TO EXPIRE IN 2010)**



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Name, Age and Positions	Principal Occupation During	Common Stock		
		Beneficially	Percentage	
Presently Held with	Past Five Years:	Director	Owned as of	Of
<u>The Company</u>	<u>Other Directorships</u>	<u>Since</u>	<u>February 25, 2009</u>	<u>Class</u>
Charles W. Henry, 59	Partner	1989	99,735	1.7%
Director 1,2,3	Kernan & Henry Southbury, CT (Law Firm)			

1 Member of the Executive Committee

2 Member of the Compensation Committee

3 Member of the Audit Committee

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**Item No. 2**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of UHY LLP ( UHY ) acts as our principal independent registered public accounting firm. The services of UHY for the fiscal year ended January 3, 2009 included an audit of the consolidated financial statements of the Company; an audit on the Company's internal control over financial reporting for the fiscal year ended January 3, 2009; assistance in connection with filing the Form 10-Q quarterly reports and Form 10-K annual report with the Securities and Exchange Commission; assistance on financial accounting and reporting matters; and meetings with the Audit Committee of the Board of Directors.

All audit services provided by UHY for 2008 were approved by the Audit Committee in advance of the work being performed.

Through and as of March 17, 2009, UHY had a continuing relationship with UHY Advisors, Inc. ( Advisors ) from which it leased auditing staff who were full time, permanent employees of Advisors and through which UHY's partners provide non-audit services. UHY has only a few full-time employees. Therefore, few, if any, of the audit services performed were provided by permanent, full-time employees of UHY. UHY manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. No non-audit services were provided by Advisors to the Company in 2008 and 2007.

The Audit Committee has recommended, and the Board of Directors has approved, continuing the services of UHY for the current fiscal year. Accordingly, the Board of Directors will recommend at the meeting that the shareholders approve the appointment of UHY to audit the consolidated financial statements of the Company for the current year.

The proposal to appoint UHY as the independent registered public accounting firm will be approved if, at the Annual Meeting at which a quorum is present, the votes cast in favor of the proposal exceed the votes cast opposing the proposal.

Representatives of UHY will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so, as well as respond to questioning.

**Audit Fees:** UHY audit fees were \$448,458 in 2008 and \$683,152 in 2007. Audit fees include fees associated with the annual audit of the Company's financial statements, the reviews of the Company's quarterly reports on Form 10-Q, and the audit of our internal control over financial reporting.

**Audit-Related Fees:** There were no audit-related services in 2008 and 2007.

**Tax Fees:** UHY did not provide any tax services in 2008 and 2007.

*All Other Fees:* UHY did not provide any non-audit services in 2008 and 2007.

**The Board of Directors recommends a vote FOR the ratification of the Board of Directors appointment of UHY LLP as the independent registered public accounting firm.**

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**AUDIT COMMITTEE FINANCIAL EXPERT**

The Board of Directors has determined that all audit committee members are financially literate and are independent under the current listing standards of the NYSE Alternext. The Board has also determined that John W. Everets qualifies as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Board of Directors adopted a revised written charter for the Audit Committee on February 4, 2004, which is included as Exhibit A to this proxy statement.

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those statements with generally accepted accounting principles. Within this framework, the Audit Committee has reviewed and discussed the audited financial statements included in the Annual Report on Form 10-K with the independent registered public accounting firm and management. In connection therewith, the Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company's accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and other related matters as required to be discussed under generally accepted auditing standards.

In addition, the Audit Committee has discussed with the independent registered public accounting firm the auditors' independence from management and the Company, including the matters in the written disclosures required by the Public Company Accounting Oversight Board and the Independence Standards Board, and considered the compatibility of nonaudit services with the auditors' independence.

The Audit Committee also discussed with the Company's independent registered public accounting firm the overall scope and plan for their audit, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee meets with and without management present and held six meetings during fiscal year 2008.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 3, 2009 for filing with the Securities and Exchange Commission. The Audit Committee has recommended and the Board of Directors has approved, subject to shareholder ratification, the selection of UHY LLP as the Company's independent registered public accounting firm for the current fiscal year.

Audit Committee:

John W. Everets, Chairman  
Charles W. Henry  
David C. Robinson

Donald S. Tuttle III



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL SHAREHOLDERS**

The following table sets forth information, as of February 25, 2009 (unless a different date is specified in the notes to the table), with respect to (a) each person known by the Board of Directors of the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Shares, (b) each current director of the Company, (c) each of the Named Officers (as hereinafter defined) and (d) all directors and executive officers of the Company as a group:

<b>Shareholder</b>	<b>Amount and nature of beneficial ownership (a)</b>	<b>Percent of class (b)</b>
Brown Advisory Holdings Incorporated (c) 901 South Bond Street, Suite 400 Baltimore, MD 21231	1,332,538	22.3%
Bank of America Corporation (d) NB Holdings Corporation United States Trust Company, N.A. 100 North Tryon Street, Floor 25 Charlotte, NC 28255	331,204	5.6%
Dimensional Fund Advisors LP (e)  Palisades West, Building One  6300 Bee Cave Road  Austin, TX 78746	314,020	5.3%
John W. Everets	58,387	1.0%
Charles W. Henry (f)	114,922	1.9%
Leonard F. Leganza	221,703	3.6%
David C. Robinson	124,972	2.1%
John L. Sullivan III (g)	101,890	1.7%
Donald S. Tuttle III	125,575	2.1%
All directors and executive officers as a group  (6 persons)(h)	732,262	11.7%

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- (a) The Securities and Exchange Commission has defined "beneficial owner" of a security to include any person who has or shares voting power or investment power with respect to any such security or who has the right to acquire beneficial ownership of any such security within 60 days. Unless otherwise indicated, (i) the amounts owned reflect direct beneficial ownership, and (ii) the person indicated has sole voting and investment power.

Amounts shown include the number of Common Shares subject to outstanding options under the Company's stock option plans that are exercisable within 60 days.

Reported shareholdings include, in certain cases, shares owned by or in trust for a director or nominee, and in which all beneficial interest has been disclaimed by the director or the nominee.

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- (b) The percentages shown for the directors and executive officers are calculated on the basis that outstanding shares include Common Shares subject to outstanding options under the Company's stock option plans that are exercisable by the directors and officers within 60 days.
- (c) Reported shareholdings per a Schedule 13G/A filed February 17, 2009. Brown Advisory Holdings Incorporated is the parent of Brown Advisory Services, LLC, (a registered broker-dealer), Brown Investment Advisory & Trust Company (a bank), and Brown Advisory, LLC (a registered investment advisor). All of the reported shares are owned by clients of the subsidiaries of Brown Advisory Holding Incorporated. The subsidiaries of Brown Advisory Holding Incorporated have sole voting power over 3,000 shares, sole investment power over 4,500 shares, and shared investment power over 1,328,038 shares.
- (d) Bank of America Corporation and its affiliates reported shareholdings per a Schedule 13G on February 11, 2009. Bank of America Corporation is a parent holding company filing Schedule 13G jointly with NB Holdings Corporation and United States Trust Company, N.A.
- (e) Dimensional Fund Advisors LP ( Dimensional ), a registered investment advisor, is deemed to have beneficial ownership of 314,020 Common Shares per a Schedule 13G filed as of February 9, 2009. Dimensional disclaims beneficial ownership of all such shares.
- (f) Includes 15,187 shares beneficially owned by Mr. Robinson, over which Mr. Henry has sole voting power only.
- (g) Mr. Sullivan is a Named Executive Officer of the Company. See Executive Compensation Summary Compensation Table for information regarding Mr. Sullivan's age and business experience.
- (h) Directors and Executive Officers have sole voting and investment power as to 732,262 shares (11.7% of the outstanding stock). Included are stock options for 292,500 shares deemed exercised solely for purposes of showing beneficial ownership by such group.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with the NYSE Alternext. Directors, officers and greater-than-10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on its review of copies of such reports filed with the SEC since January 2008, or written representations from certain reporting persons that no such reports were required for those persons, the Company believes that all persons subject to the reporting requirements of Section 16(a) have filed the required reports on a timely basis, with the exception of one report that was filed late by John W. Everets. This report related to the sale of common shares on the open market.

### COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company is committed to sound corporate governance practices. The Board of Directors believes that its corporate governance practices enhance its ability to achieve the Company's goals and to govern the Company with high standards of integrity.



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The Company's Board of Directors has three standing committees: an Executive Committee, an Audit Committee and a Compensation Committee. During 2008, the Board of Directors had seven (7) meetings. During 2008, each Director attended 100 percent of these meetings and the meetings of committees on which he served.

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**Executive Committee.** The Executive Committee, acting with the full authority of the Board of Directors, approves minutes, monthly operating reports, capital expenditures, banking matters, and other issues requiring immediate attention. During 2008, the Executive Committee held no meetings.

**Audit Committee.** The Audit Committee advises the Board of Directors and provides oversight on matters relating to the Company's financial reporting process, accounting functions and internal controls, and the qualifications, independence, appointment, retention, compensation and performance of the Company's independent registered public accounting firm. The Audit Committee also provides oversight with respect to the legal compliance and ethics programs established by management and the Board of Directors. The Company's Code of Business Conduct and Ethics, as adopted by the Board of Directors on February 4, 2004, is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com). During 2008, the Audit Committee held six (6) meetings.

**Compensation Committee.** The Compensation Committee is responsible for establishing basic management compensation, incentive plan goals, and all related matters, as well as determining stock option grants to employees. The Board of Directors adopted the Company's Compensation Committee Charter on December 13, 2006, and it is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com). During 2008, the Compensation Committee held three (3) meetings.

The Company does not have a standing nominating committee. Rather, due to the small size of the Company's Board of Directors, the independent members of the Board of Directors consider director nominees. As defined by the rules and regulations of the NYSE Alternext, the independent members of the Board of Directors of the Company include all of the members of the Board of Directors other than the chairman, president and chief executive officer of the Company. These independent directors select and nominate individuals for election to the Board of Directors. A copy of the charter describing the nominations process for directors is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

Each member of the Board of Directors must have the ability to apply good business judgment and must be able to exercise his or her duties of loyalty and care. Candidates for the position of director must exhibit proven leadership capabilities and high integrity, exercise high level responsibilities within their chosen careers, and have an ability to quickly grasp complex principles of business and finance. In general, candidates will be preferred to the extent they hold an established executive level position in business, finance, law, education, research, government or civic activities. When current members of the Board of Directors are considered for nomination for reelection, their prior contributions to the Board of Directors, their performance and their meeting attendance records are taken into account.

The independent members of the Board of Directors will consider director nominees who are identified either by the directors, by the shareholders, or through some other source. The independent members of the Board of Directors may also utilize the services of a third party search firm to assist them in the identification or evaluation of director candidates, as they deem necessary or appropriate.

Shareholders wishing to submit the names of qualified candidates for possible nomination to the Board of Directors may make such a submission by sending to the Board of Directors (in care of the Secretary of the Company) the information described in the Company's Bylaws. This information generally must be submitted not more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's annual meeting.

The independent members of the Board of Directors will make a preliminary assessment of each proposed nominee based upon his or her resume and biographical information, the individual's willingness to serve as a director, and other background information. This information is evaluated against the criteria described above and the specific needs of the Company at the time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the independent members of

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the Board of Directors will determine which nominee(s) they will recommend for election to the Board of Directors. The independent members of the Board of Directors use the same process for evaluating all nominees, regardless of the original source of the nomination.

**DIRECTOR COMPENSATION IN FISCAL 2008**

Name (1)	Non-equity						Total
	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Incentive Plan Compensation	Change in pension value and nonqualified deferred compensation earnings	All Other Compensation	
	(\$)(2)	(\$)	(\$)	(\$)	(\$)	(\$)(3)	(\$)
John W. Everets	\$24,600					\$395	\$24,995
Charles W. Henry	24,606					395	25,001
David C. Robinson	24,616					395	25,011
Donald S. Tuttle III	24,600					395	24,995
Russell G. McMillen (4)	9,406					-	9,406

(1) This table discloses 2008 director compensation. All non-employee directors who served as a director in 2008 received compensation.

(2) In 2008, The Eastern Company paid non-employee directors an annual rate of \$24,600, which was paid in Common Shares of the Company or cash, in accordance with the Directors Fee Program adopted by the shareholders on March 26, 1997 and amended on January 5, 2004. The amounts listed could include adjustments for fractional shares from previous periods. The directors make an annual election, within a reasonable time before their first quarterly payment, to receive their fees in the form of cash, stock or a combination thereof. The election remains in force for one year. Messrs. Henry and McMillen elected to receive all of their director compensation in stock.

(3) All non-employee directors are provided a \$50,000 1