

EASTERN CO
Form 10-Q
July 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE QUARTERLY PERIOD ENDED July 3, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE TRANSITION PERIOD FROM _____ to _____

Commission File Number: 0599

THE EASTERN COMPANY
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0330020
(I.R.S. Employer
Identification No.)

112 Bridge Street, Naugatuck, Connecticut
(Address of principal executive offices)

06770
(Zip Code)

(203) 729-2255
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes No

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

Class	Outstanding as of July 3, 2010
Common Stock, No par value	6,124,853

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	July 3, 2010	January 2, 2010
Current Assets		
Cash and cash equivalents	\$ 12,269,452	\$ 16,746,673
Accounts receivable, less allowances: \$428,000 - 2010; \$392,000 - 2009	16,572,311	15,326,416
Inventories	26,425,608	24,520,289
Prepaid expenses and other assets	2,101,996	2,037,745
Deferred income taxes	1,129,898	1,129,898
Total Current Assets	58,499,265	59,761,021
Property, Plant and Equipment	52,078,153	50,339,002
Accumulated depreciation	(28,838,950)	(27,365,369)
	23,239,203	22,973,633
Goodwill	13,852,596	13,869,005
Trademarks	150,751	151,341
Patents, technology, and other intangibles net of accumulated amortization	2,506,830	2,796,698
Deferred income taxes	1,104,387	1,283,323
Prepaid pension cost	25,586	36,838
	17,640,150	18,137,205
TOTAL ASSETS	\$ 99,378,618	\$ 100,871,859

LIABILITIES AND SHAREHOLDERS' EQUITY	July 3, 2010	January 2, 2010
Current Liabilities		
Accounts payable	\$ 8,006,561	\$ 5,335,317
Accrued compensation	1,982,539	1,811,236
Other accrued expenses	1,407,950	1,191,360
Current portion of long-term debt	714,286	7,142,858
Total Current Liabilities	12,111,336	15,480,771
Other long-term liabilities	1,042,650	1,077,247
Long-term debt, less current portion	3,928,571	4,285,713
Accrued postretirement benefits	1,345,705	1,341,498
Accrued pension cost	12,462,890	12,089,326
Shareholders' Equity		
Voting Preferred Stock, no par value: Authorized and unissued 1,000,000 shares		
Nonvoting Preferred Stock, no par value: Authorized and unissued 1,000,000 shares		
Common Stock, no par value: Authorized: 50,000,000 shares Issued: 8,819,582 shares in 2010 and 8,709,384 shares in 2009	27,306,503	26,236,477
Treasury Stock: 2,694,729 shares in 2010 and 2,644,215 shares in 2009	(19,105,723)	(18,375,416)
Retained earnings	68,886,733	67,558,201
Accumulated other comprehensive income (loss):		
Foreign currency translation	1,590,247	1,696,013
Unrecognized net pension and postretirement benefit costs, net of tax	(10,190,294)	(10,517,971)
Accumulated other comprehensive loss	(8,600,047)	(8,821,958)
Total Shareholders' Equity	68,487,466	66,597,304
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 99,378,618	\$ 100,871,859

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Six Months Ended		Three Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	\$ 63,532,220	\$ 56,520,102	\$ 32,577,665	\$ 28,087,629
Cost of products sold	(50,574,900)	(47,423,251)	(25,679,320)	(22,410,863)
Gross margin	12,957,320	9,096,851	6,898,345	5,676,766
Selling and administrative expenses	(9,055,896)	(8,491,950)	(4,623,095)	