

Notes to Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED JUNE 28, 2009, JUNE 29, 2008 AND JULY 1, 2007

(1) Nature of Operations:

Briggs & Stratton (the "Company") is a U.S. based producer of air cooled gasoline engines and engine powered outdoor equipment. The engines are sold worldwide, primarily to original equipment manufacturers of lawn and garden equipment and other gasoline engine powered equipment. The Company's Power Products segment designs, manufactures and markets a wide range of outdoor power equipment and related accessories.

(2) Summary of Significant Accounting Policies:

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks, ending on the Sunday nearest the last day of June in each year. Fiscal years 2009, 2008 and 2007 were all 52 weeks long. All references to years relate to fiscal years rather than calendar years.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its majority owned domestic and foreign subsidiaries after elimination of intercompany accounts and transactions.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents: This caption includes cash, commercial paper and certificates of deposit. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Bank overdrafts of \$0.2 million and \$2.2 million are included in accounts payable at June 28, 2009 and June 29, 2008, respectively.

Receivables: Receivables are recorded at their original carrying value less reserves for estimated uncollectible accounts.

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 46% of total inventories at June 28, 2009 and 53% of total inventories at June 29, 2008. The cost for the remaining inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been \$59.2 million and \$72.1 million higher in fiscal 2009 and 2008, respectively. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

Goodwill and Other Intangible Assets: Goodwill reflects the cost of acquisitions in excess of the fair values assigned to identifiable net assets acquired. Goodwill is assigned to reporting units based upon the expected benefit of the synergies of the acquisition. The reporting units are Engine, Home Power Products and Yard Power Products and have goodwill at June 28, 2009 of \$136.3 million, \$86.9 million, and \$30.7 million, respectively. Other Intangible Assets reflect identifiable intangible assets that arose from purchase acquisitions. Other Intangible Assets are comprised of trademarks, patents and customer relationships. Goodwill and trademarks, which are considered to have indefinite lives are not amortized; however, both must be tested for impairment annually. Amortization is recorded on a straight-line basis for other intangible assets with finite lives. Patents have been assigned an estimated weighted average useful life of thirteen years. The customer relationships have been assigned an estimated useful life of twenty-five years. The Company is subject to financial statement risk in the event that goodwill and intangible assets become impaired. The Company performed the required impairment tests in fiscal 2009, 2008 and 2007, and found no impairment of the assets.

Investments: This caption represents the Company's investment in its 30% and 50% owned joint ventures. Until the second quarter of fiscal 2008, investments also included preferred stock in privately held Metal Technologies Holding Company, Inc. (MTHC). The investments in the joint ventures are accounted for under

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the equity method. During the second quarter of fiscal 2008, the Company and MTHC entered into a Class B Preferred Share Redemption Agreement that provided for MTHC to pay all dividends in arrears on the 45,000 MTHC Class B preferred shares held by the Company and redeem the shares in exchange for a payment to the Company. The shares were received as part of the payment from MTHC when it acquired certain foundry operations of the Company in 1999. The Company received \$66.0 million, resulting in a \$37.0 million gain (\$29.0 million after tax) on this redemption of preferred stock and final dividend payment.

Deferred Loan Costs: Expenses associated with the issuance of debt instruments are capitalized and are being amortized over the terms of the respective financing arrangement using the straight-line method over periods ranging from three to ten years. Accumulated amortization related to outstanding debt instruments amounted to \$12.5 million as of June 28, 2009 and \$14.0 million as of June 29, 2008.

Plant and Equipment and Depreciation: Plant and equipment are stated at cost and depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the assets, as follows:

	<u>Useful Life Range (In Years)</u>
Software	3 - 10
Land Improvements	20 - 40
Buildings	20 - 50
Machinery & Equipment	3 - 20

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in cost of goods sold.

Impairment of Property, Plant and Equipment: Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. There were no adjustments to the carrying value of property, plant and equipment in fiscal 2008. Refer to Note 18 of the Notes to Consolidated Financial Statements for impairment charges recognized in fiscal 2009 and 2007.

Warranty: The Company recognizes the cost associated with its standard warranty on engines and power products at the time of sale. The amount recognized is based on historical failure rates and current claim cost experience. In fiscal 2008 and 2007, the Company incurred \$19.8 million and \$5.0 million, respectively, of expenses to accrue for current and future warranty claims related to a snow thrower engine recall. The snow thrower engines were recalled due to a potential risk of fire. The amounts accrued were to repair the units to eliminate the potential fire hazard. As of June 28, 2009, the Consolidated Balance Sheet includes \$1.2 million of reserves for this specific engine warranty matter. Product liability reserves totaling less than \$50,000 have been accrued for product liability matters related to this recall as the Company has had minimal product liability claims asserted for nominal amounts related to the snow engine recall. The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

	<u>2009</u>	<u>2008</u>
Balance, Beginning of Period	\$ 49,548	\$ 54,566
Payments	(34,255)	(50,263)
Provision for Current Year Warranties	28,623	47,402
Credit for Prior Years Warranties	(1,872)	(2,157)
Balance, End of Period	<u>\$ 42,044</u>	<u>\$ 49,548</u>

Revenue Recognition: Net sales include sales of engines, power products, and related service parts and accessories, net of allowances for cash discounts, customer volume rebates and discounts, floor plan interest

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and advertising allowances. In accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition," as amended, the Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. This is generally upon shipment, except for certain international shipments, where revenue is recognized when the customer receives the product.

Included in net sales are costs associated with programs under which the Company shares the expense of financing certain dealer and distributor inventories, referred to as floor plan expense. This represents interest for a pre-established length of time based on a variable rate from a contract with a third party financing source for dealer and distributor inventory purchases. Sharing the cost of these financing arrangements is used by Briggs & Stratton as a marketing incentive for customers to buy inventory. The financing costs included in net sales in fiscal 2009, 2008 and 2007 were \$6.2 million, \$9.1 million and \$13.1 million, respectively.

The Company also offers a variety of customer rebates and sales incentives. The Company records estimates for rebates and incentives at the time of sale, as a reduction in net sales.

Income Taxes: The Provision (Credit) for Income Taxes includes federal, state and foreign income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The Deferred Income Tax Asset (Liability) represents temporary differences relating to current assets and current liabilities, and the Long-Term Deferred Income Tax Asset (Liability) represents temporary differences related to noncurrent assets and liabilities.

Retirement Plans: The Company has noncontributory, defined benefit retirement plans and postretirement benefit plans covering certain employees. Retirement benefits represent a form of deferred compensation, which are subject to change due to changes in assumptions. Management reviews underlying assumptions on an annual basis. Refer to Note 15 of the Notes to Consolidated Financial Statements.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. The amounts charged against income were \$23.0 million in fiscal 2009, \$26.5 million in fiscal 2008 and \$25.7 million in fiscal 2007.

Advertising Costs: Advertising costs, included in Engineering, Selling, General and Administrative Expenses in the accompanying Consolidated Statements of Earnings, are expensed as incurred. These expenses totaled \$19.2 million in fiscal 2009, \$34.0 million in fiscal 2008 and \$31.5 million in fiscal 2007.

The Company reports co-op advertising expense as a reduction in net sales. Co-op advertising expense reported as a reduction in net sales totaled \$1.4 million in fiscal 2009, \$10.2 million in fiscal 2008 and \$11.4 million in fiscal 2007.

Shipping and Handling Fees: Revenue received from shipping and handling fees is reflected in net sales. Shipping fee revenue for fiscal 2009, 2008 and 2007 was \$4.3 million, \$4.8 million and \$4.3 million, respectively.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into dollars at the rates of exchange in effect at fiscal year-end. Income and expenses incurred in a foreign currency are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of Shareholders' Investment.

Earnings Per Share: Basic earnings per share, for each period presented, is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share, for each period presented, is computed reflecting the potential dilution that would occur if options or other contracts to issue common stock were exercised or converted into common stock at the beginning of the period.

The shares outstanding used to compute diluted earnings per share for fiscal 2009, 2008 and 2007 excludes outstanding options to purchase 4,305,681, 3,885,321 and 2,722,091 shares of common stock, respectively, with weighted average exercise prices of \$29.53, \$31.96 and \$35.64, respectively. These options are excluded because their exercise prices are greater than the average market price of the common shares, and their inclusion in the computation would be antidilutive.

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Information on earnings per share is as follows (in thousands):

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Net Income Used in Basic and Diluted Earnings Per Share	<u>\$ 31,972</u>	<u>\$ 22,600</u>	<u>\$ 6,701</u>
Average Shares of Common Stock Outstanding	49,572	49,549	49,715
Incremental Common Shares Applicable to Common Stock Options Based on the Common Stock Average Market Price During the Period	-	1	16
Incremental Common Shares Applicable to Deferred and Restricted Common Stock Based on the Common Stock Average Market Price During the Period	153	102	96
Diluted Average Common Shares Outstanding	<u>49,725</u>	<u>49,652</u>	<u>49,827</u>

Comprehensive Income (Loss): Comprehensive income (loss) is a more inclusive financial reporting method that includes disclosure of financial information that historically has not been recognized in the calculation of net income. The Company has chosen to report Comprehensive Income and Accumulated Other Comprehensive Income (Loss) which encompasses net income, cumulative translation adjustments, unrealized gain (loss) on derivatives and unrecognized pension and postretirement obligations in the Consolidated Statements of Shareholders' Investment. The Company's implementation of SFAS No. 158 on July 1, 2007 affected Accumulated Other Comprehensive Income (Loss) by recognizing the funded status of the Company's defined benefit pension and other postretirement plans. Information on Accumulated Other Comprehensive Income (Loss) is as follows (in thousands):

	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Derivatives	Minimum Pension Liability Adjustment	Unrecognized Pension and Postretirement Obligation	Accumulated Other Comprehensive Income (Loss)
Balance at July 2, 2006	\$ 7,524	\$ (336)	\$ (2,228)	\$ -	\$ 4,960
Fiscal Year Change	4,275	(765)	2,228	(139,649)	(133,911)
Balance at July 1, 2007	11,799	(1,101)	-	(139,649)	(128,951)
Fiscal Year Change	10,846	5,550	-	2,321	18,717
Balance at June 29, 2008	22,645	4,449	-	(137,328)	(110,234)
Fiscal Year Change	(13,684)	(7,576)	-	(118,779)	(140,039)
Balance at June 28, 2009	<u>\$ 8,961</u>	<u>\$ (3,127)</u>	<u>\$ -</u>	<u>\$(256,107)</u>	<u>\$ (250,273)</u>

Derivative Instruments & Hedging Activity: Derivatives are recorded on the Balance Sheets as assets or liabilities, measured at fair value. The Company enters into derivative contracts designated as cash flow hedges to manage certain currency and commodity exposures.

Changes in the fair value of cash flow hedges to manage its foreign currency exposure are recorded on the Consolidated Statements of Earnings or as a component of Accumulated Other Comprehensive Income (Loss). The amounts included in Accumulated Other Comprehensive Income (Loss) are reclassified into income when the forecasted transactions occur. These forecasted transactions represent the exporting of products for which Briggs & Stratton will receive foreign currency and the importing of products for which it will be required to pay in a foreign currency. Changes in the fair value of all derivatives deemed to be ineffective are recorded as either income or expense in the accompanying Consolidated Statements of Earnings. These instruments generally do not have a maturity of more than twelve months.

The Company manages its exposure to fluctuation in the cost of natural gas used by its operating facilities through participation in a third party managed dollar cost averaging program linked to NYMEX futures. As a participant in the program, the Company hedges up to 90% of its anticipated monthly natural gas usage along with a pool of other companies. The Company does not hold any actual futures contracts, and actual delivery of natural gas is not required of the participants in the program. Cash settlements occur on a monthly basis based on the difference between the average dollar price of the underlying NYMEX futures held by the third party and the actual price of natural gas paid by the Company in the period. The fair value of the underlying

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NYMEX futures is reflected as an asset or liability on the accompanying Consolidated Condensed Balance Sheets. Changes in fair value are reflected as a Component of Accumulated Other Comprehensive Income (Loss), which are reclassified into the income statement as the monthly cash settlements occur and actual natural gas is consumed. These contracts generally do not have a maturity of more than twenty-four months.

The Company manages its exposure to fluctuations in the cost of copper to be used in manufacturing by entering into forward purchase contracts designated as cash flow hedges. The Company hedges up to 90% of its anticipated copper usage, and the fair value of outstanding futures contracts is reflected as an asset or liability on the accompanying Consolidated Balance Sheets based on NYMEX prices. Changes in fair value are reflected as a component of Accumulated Other Comprehensive Income (Loss) if the forward purchase contracts are deemed to be effective. Changes in the fair value of all derivatives deemed to be ineffective are recorded as either income or expense in the accompanying Consolidated Statements of Earnings. Unrealized gains or losses associated with the forward purchase contracts are captured in inventory costs and are realized in the income statement when sales of inventory are made. These contracts generally do not have a maturity of more than twenty-four months.

The Company has considered the counterparty credit risk related to all its foreign currency and commodity derivative contracts and does not deem any counterparty credit risk material at this time.

As of June 28, 2009, the Company had the following outstanding derivative contracts (in thousands):

Contract		Quantity	
Foreign Currency:			
Australian Dollar	Sell	12,862	AUD
Canadian Dollar	Sell	2,500	CAD
Euro	Sell	58,450	EUR
Great British Pound	Buy	750	GBP
Japanese Yen	Buy	562,808	JPY
Swedish Krona	Buy	2,500	SEK
Commodity:			
Copper	Buy	525	Pounds
Natural Gas	Buy	11,207	Therms

As of June 28, 2009 and for the year ended June 28, 2009, the Company's derivative contracts had the following impact on the Consolidated Balance Sheet and the Consolidated Statement of Earnings (in thousands):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency contracts	Other Current Assets	\$ 445	Accrued Liabilities	\$ 2,123
Commodity contracts	Other Current Assets	378	Accrued Liabilities	2,131
Commodity contracts	Other Long-Term Assets, Net	-	Other Long-Term Liabilities	385
		<u>\$ 823</u>		<u>\$ 4,639</u>

	Amount of Gain (Loss) Recognized in Other Comprehensive Loss on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
Foreign currency contracts	\$ 149	Net Sales	\$ 11,707
Foreign currency contracts	(1,138)	Cost of Goods Sold	233
Commodity contracts	(2,138)	Cost of Goods Sold	(3,535)
	<u>\$ (3,127)</u>		<u>\$ 8,405</u>

Of the \$3.1 million loss detailed above that is currently recognized in Other Comprehensive Loss, the Company expects to reclassify approximately \$2.7 million into earnings within the next twelve months.

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Any ineffectiveness incurred upon inception of the Company's derivative contracts is negligible. The Company recognized a \$0.3 million loss in earnings in fiscal 2009 related to dedesignating certain contracts when overhedging situations occurred.

New Accounting Pronouncements:

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a Replacement of FASB Statement No. 162" (SFAS No. 168). SFAS No. 168 establishes the Codification as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Following this Statement, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. All guidance contained in the Codification carries an equal level of authority. The GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and nonauthoritative. All nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS No. 168 is effective for interim or annual financial periods ending after September 15, 2009. The Company will adopt this statement in fiscal 2010, and does not anticipate adoption will have a material impact on its consolidated financial position, results of operations or liquidity.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)", which changes the approach to determining the primary beneficiary of a variable interest entity (VIE) and requires companies to more frequently assess whether they must consolidate VIEs. This new standard is effective for fiscal years beginning after November 15, 2009. We are currently assessing the potential impacts, if any, on our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for the disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009 and is applied prospectively. The Company adopted this statement effective June 28, 2009. There was no material financial statement impact as a result of adoption.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. See the Derivative Instruments & Hedging Activity section of Note 2 – Summary of Significant Accounting Policies for more information.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51," (SFAS No. 160). SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. At this time, the impact of adoption of SFAS No. 160 on our consolidated financial position is being assessed.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R). SFAS No. 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development, and restructuring costs. In addition, under SFAS No. 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income taxes. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008, and will impact the accounting for any business combinations entered into after the effective date.

In March 2007, the Emerging Issues Task Force (EITF) ratified EITF No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements",

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and EITF No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements". The consensus on both issues requires the Company to recognize a liability for the estimated cost, net of expected recoveries, of maintaining the split-dollar life insurance policy during the postretirement period of the employee. The Company adopted the requirements of EITF No. 06-4 and EITF No. 06-10 during fiscal 2009 and it did not have a material impact on the financial statements.

Reclassification: Certain amounts in prior year financial statements have been reclassified to conform to current year presentation.

(3) Acquisitions:

On June 30, 2008 the Company, through its wholly owned subsidiary Briggs & Stratton Australia, Pty. Limited, acquired Victa Lawncare Pty. Limited (Victa) of Sydney, Australia from GUD Holdings Limited for total consideration of \$24.8 million in net cash. Victa is a leading designer, manufacturer and marketer of a broad range of outdoor power equipment used in consumer lawn and garden applications in Australia and New Zealand. Victa's products are sold at large retail stores and independent dealers. The Company financed the transaction from cash on hand and its existing credit facilities. Victa is included in the Power Products segment.

The acquisition has been accounted for using the purchase method of accounting. The purchase price was allocated to identifiable assets acquired and liabilities assumed based upon their estimated fair values, with the excess purchase price recorded as goodwill, none of which is tax deductible. This goodwill is recorded within the Engines segment. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Assets Acquired:

Current Assets	\$ 14,057
Property, Plant & Equipment	5,357
Goodwill	8,063
Other Intangible Assets	4,068
Total Assets Acquired	31,545

Liabilities Assumed:

Current Liabilities	6,788
Total Liabilities Assumed	6,788

Net Assets Acquired	\$ 24,757
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(4) Fair Value Measurements:

Effective June 30, 2008, the Company adopted SFAS 157, Fair Value Measurements, which establishes a new framework for measuring fair value and expands the related disclosures. To increase consistency and comparability in fair value measurements and related disclosures, SFAS 157 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

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The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 28, 2009 (in thousands):

	June 28, 2009	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets:				
Derivatives	\$ 823	\$ 445	\$ 378	\$ -
Liabilities:				
Derivatives	4,639	2,123	2,516	-

The Company has adopted SFAS No. 159, which provides entities the option to measure many financial instruments and certain other items at fair value. The Company has currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

(5) Goodwill and Other Intangible Assets:

Goodwill reflects the cost of acquisitions in excess of the fair values assigned to identifiable net assets acquired. Goodwill is assigned to reporting units based upon the expected benefit of the synergies of the acquisition. The reporting units are Engine, Home Power Products and Yard Power Products and have goodwill at June 28, 2009 of \$136.3 million, \$86.9 million and \$30.7 million, respectively.

The changes in the carrying amount of goodwill for the fiscal years ended June 28, 2009 and June 29, 2008 are as follows (in thousands):

	2009	2008
Beginning Goodwill Balance	\$ 248,328	\$ 250,107
Victa Acquisition	7,305	-
Tax Benefit on Amortization	(1,779)	(1,779)
Ending Goodwill Balance	\$ 253,854	\$ 248,328

The Company's other intangible assets for the years ended June 28, 2009 and June 29, 2008 are as follows (in thousands):

	2009			2008		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<u>Amortized Intangible Assets:</u>						
Patents	\$ 13,601	\$ (5,843)	\$ 7,758	\$ 13,281	\$ (4,638)	\$ 8,643
Customer Relationships	17,910	(3,582)	14,328	17,910	(2,866)	15,044
Miscellaneous	279	(279)	-	279	(279)	-
Total Amortized Intangible Assets	31,790	(9,704)	22,086	31,470	(7,783)	23,687
<u>Unamortized Intangible Assets:</u>						
Trademarks/Brand Names	70,104	-	70,104	67,000	-	67,000
Total Unamortized Intangible Assets	70,104	-	70,104	67,000	-	67,000
Total Intangible Assets	\$ 101,894	\$ (9,704)	\$ 92,190	\$ 98,470	\$ (7,783)	\$ 90,687

Amortization expense of other intangible assets amounts to approximately \$1.9 million, \$1.9 million and \$2.0 million in 2009, 2008, and 2007, respectively.

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The estimated amortization expense of other intangible assets for the next five years is (in thousands):

2010	\$ 1,905
2011	1,905
2012	1,905
2013	1,905
2014	1,905
	<u>\$ 9,525</u>

(6) Income Taxes:

The provision (credit) for income taxes consists of the following (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current			
Federal	\$ (1,152)	\$ (5,800)	\$ 11,861
State	(336)	3	961
Foreign	2,557	2,300	1,226
	<u>1,069</u>	<u>(3,497)</u>	<u>14,048</u>
Deferred	7,368	10,506	(17,447)
	<u>\$ 8,437</u>	<u>\$ 7,009</u>	<u>\$ (3,399)</u>

A reconciliation of the U.S. statutory tax rates to the effective tax rates on income follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
U.S. Statutory Rate	35.0%	35.0%	35.0%
State Taxes, Net of Federal Tax Benefit	0.8%	2.4%	14.4%
Foreign Tax Benefits	(4.3%)	3.4%	(6.0%)
Benefit on Dividends Received	(1.5%)	(22.3%)	48.7%
Current Year FIN 48 Changes	(7.5%)	-	-
Other	(1.6%)	5.2%	10.8%
Effective Tax Rate	<u>20.9%</u>	<u>23.7%</u>	<u>102.9%</u>

The components of deferred income taxes were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Current Asset (Liability):		
Difference Between Book and Tax Related to:		
Inventory	\$ 16,624	\$ 16,674
Payroll Related Accruals	7,768	3,279
Warranty Reserves	11,839	14,010
Workers Compensation Accruals	2,482	2,976
Other Accrued Liabilities	17,469	22,508
Pension Cost	1,031	1,022
Miscellaneous	(5,555)	(6,973)
Deferred Income Tax Asset	<u>\$ 51,658</u>	<u>\$ 53,496</u>

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Long-Term Asset (Liability):	2009	2008
Difference Between Book and Tax Related to:		
Pension Cost	\$ 43,185	\$ (31,270)
Accumulated Depreciation	(49,218)	(50,606)
Intangibles	(71,686)	(68,358)
Accrued Employee Benefits	28,472	25,836
Postretirement Health Care Obligation	59,404	62,736
Warranty	4,530	5,707
Valuation Allowance	(6,712)	(3,788)
Net Operating Loss Carryforwards	7,073	3,788
Miscellaneous	8,117	8,689
Deferred Income Tax Asset (Liability)	<u>\$ 23,165</u>	<u>\$ (47,266)</u>

The deferred tax assets that were generated as a result of foreign income tax loss carryforwards and tax incentives in the amount of \$7.1 million are potentially not useable by certain foreign subsidiaries. If not utilized against taxable income, \$6.9 million will expire from 2010 through 2020. The remaining \$0.2 million has no expiration date. In addition, a deferred tax asset of \$0.7 million was generated as a result of state income tax carryforwards. If not utilized against future taxable income, this amount will expire from 2010 through 2030. Realization of the deferred tax assets are contingent upon generating sufficient taxable income prior to expiration of these carryforwards. Management believes that realization of certain foreign deferred tax assets is unlikely, therefore valuation allowances were established in the amount of \$6.7 million.

The Company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. These undistributed earnings amounted to approximately \$35.5 million at June 28, 2009. If these earnings were remitted to the U.S., they would be subject to U.S. income tax. However, this tax would be less than the U.S. statutory income tax because of available foreign tax credits.

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), at the beginning of fiscal year 2008. As a result of the implementation, the Company recognized a \$4.0 million increase in the net liability for unrecognized tax benefits. This increase was accounted for as a decrease to the July 1, 2007 balance of retained earnings.

The change to the total unrecognized tax benefits of the Company during the fiscal year ended June 28, 2009 is reconciled as follows:

Uncertain Tax Positions: (in thousands)

Beginning Balance	\$ 19,205
Changes based on tax positions related to prior year	(575)
Resolution of prior year tax matters	(2,664)
Additions based on tax positions related to current year	1,306
Settlements with taxing authorities	(827)
Impact of changes in foreign exchange rates and interest accruals	(312)
Balance at June 28, 2009	<u>\$ 16,133</u>

As of June 28, 2009, the Company had \$24.1 million of gross unrecognized tax benefits. Of this amount, \$15.8 million represents the portion that, if recognized, would impact the effective tax rate. As of June 28, 2009, the Company had \$6.3 million accrued for the payment of interest and penalties.

The Company is regularly audited by federal, state and foreign tax authorities. The Company's taxable years 2006, 2007 and 2008 are currently under IRS audit.

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(7) Segment and Geographic Information and Significant Customers:

The Company has concluded that it operates two reportable business segments that are managed separately based on fundamental differences in their operations. Summarized segment data is as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
NET SALES:			
Engines	\$ 1,414,113	\$ 1,459,882	\$ 1,447,051
Power Products	892,887	870,403	889,976
Eliminations	(214,811)	(178,892)	(180,194)
	<u>\$ 2,092,189</u>	<u>\$ 2,151,393</u>	<u>\$ 2,156,833</u>
GROSS PROFIT ON SALES:			
Engines	\$ 266,289	\$ 270,961	\$ 216,910
Power Products	67,479	39,376	80,359
Eliminations	(89)	(3,021)	(2,071)
	<u>\$ 333,679</u>	<u>\$ 307,316</u>	<u>\$ 295,198</u>
INCOME (LOSS) FROM OPERATIONS:			
Engines	\$ 83,411	\$ 69,455	\$ 26,514
Power Products	(14,981)	(40,094)	5,958
Eliminations	(89)	(3,021)	(315)
	<u>\$ 68,341</u>	<u>\$ 26,340</u>	<u>\$ 32,157</u>
ASSETS:			
Engines	\$ 1,099,653	\$ 1,302,986	\$ 1,310,020
Power Products	700,651	1,150,040	1,051,992
Eliminations	(181,281)	(619,732)	(477,544)
	<u>\$ 1,619,023</u>	<u>\$ 1,833,294</u>	<u>\$ 1,884,468</u>
CAPITAL EXPENDITURES:			
Engines	\$ 32,032	\$ 36,998	\$ 45,848
Power Products	10,995	28,515	22,152
	<u>\$ 43,027</u>	<u>\$ 65,513</u>	<u>\$ 68,000</u>
DEPRECIATION & AMORTIZATION:			
Engines	\$ 49,045	\$ 48,922	\$ 54,757
Power Products	18,758	19,964	19,557
	<u>\$ 67,803</u>	<u>\$ 68,886</u>	<u>\$ 74,314</u>

Information regarding the Company's geographic sales based on product shipment destination (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
United States	\$ 1,589,223	\$ 1,584,635	\$ 1,685,050
All Other Countries	502,966	566,758	471,783
Total	<u>\$ 2,092,189</u>	<u>\$ 2,151,393</u>	<u>\$ 2,156,833</u>

Sales to the following customers in the Company's Engines segment amount to greater than or equal to 10% of consolidated net sales, respectively:

	<u>2009</u>		<u>2008</u>		<u>2007</u>	
Customer:	<u>Net Sales</u>	<u>%</u>	<u>Net Sales</u>	<u>%</u>	<u>Net Sales</u>	<u>%</u>
HOP	\$ 316,021	15%	\$ 336,271	16%	\$ 443,393	21%
MTD	203,254	10%	183,554	9%	206,291	10%
	<u>\$ 519,275</u>	<u>25%</u>	<u>\$ 519,825</u>	<u>25%</u>	<u>\$ 649,684</u>	<u>31%</u>

Notes . . .

(8) Leases:

The Company leases certain facilities, vehicles, and equipment under both capital and operating leases. Assets held under capital leases are included in Plant and Equipment and are charged to depreciation and interest over the life of the lease. Related liabilities are included in Other Accrued Liabilities and Other Long-Term Liabilities. Operating leases are not capitalized and lease payments are expensed over the life of the lease. Terms of the leases, including purchase options, renewals, and maintenance costs, vary by lease. Rental expense for fiscal 2009, 2008 and 2007 was \$24.7 million, \$25.0 million and \$22.5 million, respectively.

Future minimum lease commitments for all non-cancelable leases as of June 28, 2009 are as follows (in thousands):

Fiscal Year	Operating	Capital
2010	\$ 22,752	\$ 983
2011	13,298	551
2012	8,319	403
2013	5,534	133
2014	3,910	-
Thereafter	4,500	-
Total future minimum lease commitments	<u>\$ 58,313</u>	<u>2,070</u>
Less: Interest		263
Present value of minimum capital lease payments		<u>\$ 1,807</u>

(9) Indebtedness:

On July 12, 2007, the Company entered into a \$500 million amended and restated multicurrency credit agreement (Credit Agreement). See further discussion in Note 17 of the Notes to the Consolidated Financial Statements. As of June 28, 2009 and June 29, 2008, borrowings under the credit facility totaled \$34.0 million and \$99.1 million, respectively.

Borrowings under the credit facility by the Company bear interest at a rate per annum equal to, at its option, either:

(1) a 1, 2, 3 or 6 month LIBOR rate plus a margin varying from 0.50% to 1.00%, depending upon the rating of the Company's long-term debt by Standard & Poor's Rating group, a division of McGraw-Hill Companies (S&P) and Moody's Investors Service, Inc. (Moody's), or the Company's average leverage ratio; or

(2) the higher of (a) the federal funds rate plus 0.50% or (b) the bank's prime rate.

In addition, the Company is subject to a 0.10% to 0.20% commitment fee and a 0.50% to 1.00% letter of credit fee, depending on the Company's long-term credit ratings or the Company's average leverage ratio.

The lines of credit available to the Company in foreign countries are in connection with short-term borrowings and bank overdrafts used in the normal course of business. These amounts total \$15.6 million, expire at various times throughout fiscal 2010 and are renewable. None of these arrangements had material commitment fees or compensating balance requirements. Borrowings using these lines of credit are included in short-term debt. Outstanding balances are as follows (in thousands):

	2009	2008
Balance at Fiscal Year-End	\$ 3,000	\$ 3,000
Weighted Average Interest Rate at Fiscal Year-End	4.26%	5.11%

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The Long-Term Debt caption consists of the following (in thousands):

	<u>2009</u>	<u>2008</u>
8.875% Senior Notes Due March 2011, Net of Unamortized Discount of \$896 in 2009 and \$1,522 in 2008	\$ 247,104	\$ 266,478
Borrowings on Revolving Credit Facility Due July 2012	34,000	99,077
Total Long-Term Debt	<u>\$ 281,104</u>	<u>\$ 365,555</u>

In May 2001, the Company issued \$275 million of 8.875% Senior Notes due March 15, 2011. No principal payments are due before the maturity date; however, the Company repurchased \$5.0 million of the bonds in the second quarter of fiscal 2006, \$2.0 million in the second quarter of fiscal 2008 and \$20.0 million in the second quarter of fiscal 2009, after receiving unsolicited offers from bondholders.

The indenture for the 8.875% Senior Notes and the Credit Agreement for the credit facility (collectively, the "Domestic Indebtedness") each include a number of financial and operating restrictions. These covenants include restrictions on the Company's ability to: pay dividends; repurchase shares; incur indebtedness; create liens; enter into sale and leaseback transactions; consolidate or merge with other entities, sell or lease all or substantially all of its assets; and dispose of assets or the proceeds of sales of its assets. The credit facility contains financial covenants that require the Company to maintain a minimum interest coverage ratio and impose a maximum leverage ratio. As of June 28, 2009, the Company was in compliance with these covenants.

Additionally, under the terms of the indentures and Credit Agreements governing the Domestic Indebtedness, Briggs & Stratton Power Products Group, LLC became a joint and several guarantor of amounts outstanding under the Domestic Indebtedness. Refer to Note 17 of the Notes to Consolidated Financial Statements for subsidiary guarantor financial information.

(10) Other Income:

The components of other income (expense) are as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest Income	\$ 1,081	\$ 1,506	\$ 1,916
Income on Preferred Stock	-	28,346	10,000
Equity in Earnings from Unconsolidated Affiliates	1,526	3,588	3,303
Gain on Share Redemption	-	8,622	-
Other Items	608	(670)	(383)
Total	<u>\$ 3,215</u>	<u>\$ 41,392</u>	<u>\$ 14,836</u>

(11) Commitments and Contingencies:

Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is generally self-insured for claims up to \$2.0 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. On June 28, 2009 and June 29, 2008, the reserve for product and general liability claims (which includes asbestos-related liabilities) was \$7.1 million and \$6.3 million, respectively. Because there is inherent uncertainty as to the eventual resolution of unsettled claims, no reasonable range of possible losses can be determined. Management does not anticipate that these claims, excluding the impact of insurance proceeds and reserves, will have a material adverse effect on the financial condition or results of operations of the Company.

In October 1998, the Company joined seventeen other companies in guaranteeing a \$17.9 million letter of credit issued as a guarantee of certain City of Milwaukee Revenue Bonds used to develop a residential rental property. The Revenue Bonds were issued on behalf of a not-for-profit organization established to manage the project and rental property post construction. The revenues from the rental property are used to fund operating expenses and all debt service requirements. The Company's share of the guarantee and the

Notes . . .

maximum exposure to the Company under the agreement was \$1.8 million. In January 2009, a substitute letter of credit was issued that did not require a guarantee; however, it did require that the back-up reserve remains in place. The Company's share of the back-up reserve is \$50,000. The letter of credit will expire in January 2014.

Certain independent dealers and distributors finance inventory purchases through a third party financing company. Briggs & Stratton has indemnified the third party finance company against credit default. The Company's maximum exposure under this agreement due to customer credit default in a fiscal year is \$1.7 million. In fiscal 2009 and fiscal 2008, the third party financing company provided financing for \$194.2 million and \$232.3 million of Briggs & Stratton product, respectively. As of June 28, 2009 and June 29, 2008, there were \$166.4 million and \$179.3 million, respectively, in receivables outstanding under this arrangement. Briggs & Stratton made no payments for customer credit defaults under this indemnity agreement in fiscal 2009 or fiscal 2008.

Certain of the Company's vendors in Asia require their customers to obtain letters of credit, payable upon shipment of the product. At the end of fiscal 2009, the Company had two letters of credit issued by Comerica Bank, totaling \$7.3 million. At the end of fiscal 2008, the Company had four letters of credit issued by Comerica Bank, totaling \$4.7 million. The products ordered typically arrive in partial shipments spanning several months, with payment initiated at the time the vendor provides documentation to the bank of the quantity and occurrence of shipment.

Starting with the first complaint in June 2004, various plaintiff groups have filed complaints in state and federal courts across the country against the Company and other engine and lawnmower manufacturers alleging, among other things, that the horsepower labels on the products they purchased were inaccurate and that the Company conspired with other engine and lawnmower manufacturers to conceal the true horsepower of these engines. In May 2008, a putative nationwide class of plaintiffs pursuing these claims was dismissed by Judge Murphy of the United States District Court for the Southern District of Illinois. Since that time, plaintiffs have filed 66 separate actions in 49 states across the country seeking to certify 52 separate classes of all persons in each of the 50 states, Puerto Rico and the District of Columbia who purchased a lawnmower containing a gasoline combustion engine up to 30 horsepower from 1994 to the present. In these various actions, plaintiffs seek injunctive relief, compensatory and punitive damages, and attorneys' fees. Plaintiffs have also filed state and federal antitrust and RICO claims and seek a nationwide class based on these claims. However, in May 2008 Judge Murphy dismissed similar RICO claims with prejudice.

On September 25, 2008, the Company, along with several other defendants, filed a motion with the Judicial Panel on Multidistrict Litigation seeking to transfer all pending actions, and any subsequently filed similar actions, to a single federal court for coordinated pretrial proceedings. On December 5, 2008, the Multidistrict Litigation Panel granted the motion and transferred the cases to Judge Adelman of the United States District Court for the Eastern District of Wisconsin (In Re: Lawnmower Engine Horsepower Marketing and Sales Practices Litigation, Case No. 2:08-md-01999). On January 27, 2009, Judge Adelman held an initial hearing in the action. At that hearing, the court appointed lead plaintiffs' class counsel, liaison counsel for defendants, and entered a stay of all litigation in all cases for 120 days so that the parties may conduct mediation in an effort to resolve all outstanding litigation. Since that order, on May 28, 2009 the Court entered an additional stay until August 28, 2009 to allow those mediation efforts to continue. The Company has yet to answer or otherwise plead in response to any of the complaints filed to date.

(12) Stock Incentives:

Effective July 2, 2007, the Company adopted the Powerful Solution Incentive Compensation Program. The Company previously adopted an Incentive Compensation Plan, effective October 20, 2004, under which 4,000,000 shares of common stock (8,000,000 shares as a result of the 2-for-1 stock split) were reserved for future issuance. Prior to October 20, 2004, the Company had a Stock Incentive Plan under which 5,361,935 shares of common stock were reserved for issuance. The adoption of the Incentive Compensation Plan reduced the number of shares available for future issuance under the Stock Incentive Plan to zero. However, as of June 28, 2009, there were 2,110,383 outstanding option and restricted stock awards granted under the Stock Incentive Plan that are or may become exercisable in the future. No additional shares of common stock

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were reserved for future issuance under the Powerful Solution Incentive Compensation Program. In accordance with the three plans, the Company can issue eligible employees stock options, stock appreciation rights, restricted stock, deferred stock and cash bonus awards subject to certain annual limitations. The plans also allow the Company to issue directors non-qualified stock options and directors' fees in stock.

During fiscal 2009, 2008 and 2007, the Company recognized stock based compensation expense of approximately \$4.0 million, \$4.6 million and \$8.5 million, respectively.

On the grant date, the exercise price of each stock option issued exceeds the market value of the stock. The fair value of each option is estimated using the Black-Scholes option pricing model, and the assumptions are based on historical data and standard industry valuation practices and methodology. The assumptions used to determine fair value are as follows:

Options Granted During	<u>2009</u>	<u>2008</u>	<u>2007</u>
Grant Date Fair Value	\$1.93	\$5.31	\$5.46
(Since options are only granted once per year, the grant date fair value equals the weighted average grant date fair value.)			
Assumptions:			
Risk-free Interest Rate	3.1%	4.5%	5.0%
Expected Volatility	32.7%	26.4%	27.4%
Expected Dividend Yield	6.5%	3.1%	3.2%
Expected Term (In Years)	5.0	5.1	5.0

Information on the options outstanding is as follows:

	<u>Shares</u>	<u>Wtd. Avg. Ex. Price</u>	<u>Wtd. Avg. Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Balance, July 2, 2006	2,943,433	\$ 32.05		
Granted During the Year	554,020	29.87		
Exercised During the Year	(143,332)	23.36		
Expired During the Year	(24,442)	33.26		
Balance, July 1, 2007	3,329,679	\$ 32.05		
Granted During the Year	596,590	30.81		
Exercised During the Year	(40,948)	23.11		
Expired During the Year	-	-		
Balance, June 29, 2008	3,885,321	\$ 31.96		
Granted During the Year	729,990	14.83		
Exercised During the Year	-	-		
Expired During the Year	(309,630)	25.35		
Balance, June 28, 2009	4,305,681	\$ 29.53	3.50	\$ -
Exercisable, June 28, 2009	2,448,281	\$ 33.52	3.68	\$ -

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No options were exercised in fiscal 2009. The total intrinsic value of options exercised during the fiscal years ended 2008 and 2007 was \$0.3 million and \$0.8 million, respectively. The exercise of options resulted in cash receipts of \$0.9 million and \$3.3 million in fiscal 2008 and 2007, respectively.

Grant Summary

Fiscal Year	Grant Date	Date Exercisable	Expiration Date	Exercise Price	Options Outstanding
2003	8-13-02	8-13-05	8-13-09	\$ 23.35	280,460
2004	8-15-03	8-15-06	8-15-13	30.44	758,320
2005	8-13-04	8-13-07	8-13-14	36.68	1,063,620
2006	8-16-05	8-16-08	8-16-10	38.83	345,881
2007	8-15-06	8-15-09	8-15-11	29.87	534,820
2008	8-14-07	8-14-10	8-31-12	30.81	592,590
2009	8-19-08	8-19-11	8-31-13	14.83	729,990

Below is a summary of the status of the Company's nonvested shares as of June 28, 2009, and changes during the year then ended:

	Deferred Stock		Restricted Stock		Stock Options	
	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value
Nonvested shares, June 29, 2008 . .	31,597	\$ 34.80	143,977	\$ 32.11	1,481,291	\$ 5.85
Granted	124,879	13.51	118,975	13.51	729,990	1.93
Cancelled	(500)	13.51	(1,750)	21.75	(8,000)	5.39
Vested	(5,922)	13.51	(37,217)	31.17	(345,881)	7.37
Nonvested shares, June 28, 2009 . .	150,054	\$ 17.99	223,985	\$ 22.47	1,857,400	\$ 4.02

As of June 28, 2009, there was \$3.1 million of total unrecognized compensation cost related to nonvested share-based compensation. That cost is expected to be recognized over a weighted average period of 1.9 years. The total fair value of shares vested during fiscal 2009 and 2008 was \$3.1 million and \$13.4 million, respectively.

Under the plans, the Company has issued restricted stock to certain employees. During fiscal years 2009, 2008 and 2007, the Company has issued 118,975, 32,550 and 21,425 shares, respectively. The restricted stock vests on the fifth anniversary date of the issue provided the recipient is still employed by the Company. The aggregate market value on the date of issue is approximately \$1.6 million, \$0.9 million and \$0.6 million in fiscal 2009, 2008 and 2007, respectively, and has been recorded within the Shareholders' Investment section of the Consolidated Balance Sheets, and is being amortized over the five-year vesting period.

Under the plans, the Company may also issue deferred stock to its directors in lieu of directors fees. The Company has issued 47,744, 3,521 and 3,497 shares in fiscal 2009, 2008 and 2007, respectively, under this provision of the plans.

Under the Incentive Compensation Plan, the Company may also issue deferred stock to its officers and key employees. The Company has issued 77,135 and 2,207 shares in fiscal 2009 and 2008, respectively, under this provision. The aggregate market value on the date of issue was approximately \$1.0 million and \$0.1 million, respectively. Expense is recognized ratably over the five-year vesting period.

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The following table summarizes the components of the Company's stock-based compensation programs recorded as expense:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Stock Options:			
Pretax compensation expense	\$ 1,760	\$ 3,304	\$ 7,258
Tax benefit	(686)	(1,289)	(2,831)
Stock option expense, net of tax	\$ 1,074	\$ 2,015	\$ 4,427
Restricted Stock:			
Pretax compensation expense	\$ 1,097	\$ 1,117	\$ 900
Tax benefit	(428)	(436)	(351)
Restricted stock expense, net of tax	\$ 669	\$ 681	\$ 549
Deferred Stock:			
Pretax compensation expense	\$ 1,142	\$ 142	\$ 326
Tax benefit	(445)	(55)	(127)
Deferred stock expense, net of tax	\$ 697	\$ 87	\$ 199
Total Stock-Based Compensation:			
Pretax compensation expense	\$ 3,999	\$ 4,563	\$ 8,484
Tax benefit	(1,559)	(1,780)	(3,309)
Total stock-based compensation, net of tax	\$ 2,440	\$ 2,783	\$ 5,175

(13) Shareholder Rights Agreement:

On August 6, 1996, the Board of Directors declared a dividend distribution of one common stock purchase right (a right) for each share of the Company's common stock outstanding on August 19, 1996. Each right would entitle shareowners to buy one-half of one share of the Company's common stock at an exercise price of \$160.00 per full common share (\$80.00 per full common share after taking into consideration the effect of a 2-for-1 stock split effective October 29, 2004), subject to adjustment. The agreement relating to the rights was amended by the Board of Directors on August 9, 2006 to extend the term of the rights by three years to October 18, 2009, to increase from 15 percent to 20 percent or more the percentage of outstanding shares that a person or group must acquire or attempt to acquire in order for the rights to become exercisable, and to add a qualifying offer clause that permits shareholders to vote to redeem the rights in certain circumstances. Shareholders ratified the amended rights agreement at their annual meeting on October 18, 2006. On August 12, 2009, the Board of Directors amended the rights agreement to: (i) modify the definition of "Beneficial Owner" and "beneficial ownership" of common shares of the Company to include, among other things, certain derivative security interests in common shares of the Company; (ii) reduce the redemption price for the rights to \$.001 per right; and (iii) extend the term of the rights agreement by changing the scheduled expiration date from October 18, 2009 to October 17, 2012. Shareholders have the opportunity to ratify the rights agreement in an effort to determine the viewpoint of shareholders on the advisability of the rights agreement at the annual meeting scheduled for October 21, 2009. If the rights agreement is not ratified by shareholders as proposed, the Board of Directors intends to reevaluate the rights agreement and determine whether it believes the rights agreement in its current form continues to be in the shareholders' best interests. The Board may, as a result of such reevaluation and determination, terminate the rights agreement, modify the terms of the rights agreement or allow the rights agreement to remain in place without change, among other actions.

(14) Foreign Exchange Risk Management:

The Company enters into forward exchange contracts to hedge purchases and sales that are denominated in foreign currencies. The terms of these currency derivatives do not exceed twelve months, and the purpose is to protect the Company from the risk that the eventual dollars being transferred will be adversely affected by changes in exchange rates.

The Company has forward foreign currency exchange contracts to purchase foreign currencies, with the Japanese Yen as the most significant. The Japanese Yen contracts are used to hedge the commitments to purchase engines from the Company's Japanese joint venture. The Company also has forward contracts to

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sell foreign currency, with the Euro as the most significant. These contracts are used to hedge foreign currency collections on sales of inventory. The Company's foreign currency forward contracts are carried at fair value based on current exchange rates.

The Company has the following forward currency contracts outstanding at the end of fiscal 2009:

		In Millions				Conversion Currency	Latest Expiration Date
<u>Hedge</u>	<u>Contract</u>	<u>Notional Value</u>	<u>Contract Value</u>	<u>Fair Market Value</u>	<u>(Gain) Loss at Fair Value</u>		
Australian Dollar	Sell	12.9	9.1	9.3	.2	U.S.	April 2010
Canadian Dollar	Sell	2.5	2.2	2.2	-	U.S.	November 2009
Euro	Sell	58.5	80.3	82.2	1.9	U.S.	May 2010
Great British Pound	Buy	.8	1.2	1.2	-	U.S.	July 2009
Japanese Yen	Buy	562.8	5.6	5.9	(.3)	U.S.	December 2009
Swedish Krona	Buy	2.5	.3	.3	-	U.S.	July 2009

The Company had the following forward currency contracts outstanding at the end of fiscal 2008:

		In Millions				Conversion Currency	Latest Expiration Date
<u>Hedge</u>	<u>Contract</u>	<u>Notional Value</u>	<u>Contract Value</u>	<u>Fair Market Value</u>	<u>(Gain) Loss at Fair Value</u>		
Japanese Yen	Buy	1,200.0	11.3	11.4	(.1)	U.S.	December 2008
Australian Dollar	Sell	5.5	4.9	5.2	.3	U.S.	September 2008

The Company continuously evaluates the effectiveness of its hedging program by evaluating its foreign exchange contracts compared to the anticipated underlying transactions. The Company did not have any ineffective hedges in fiscal 2009 or 2008.

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(15) Employee Benefit Costs:

Retirement Plan and Other Postretirement Benefits

The Company has noncontributory, defined benefit retirement plans and other postretirement benefit plans covering certain employees. The Company uses a June 30 measurement date for all of its plans. The following provides a reconciliation of obligations, plan assets and funded status of the plans for the two years indicated (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Actuarial Assumptions:				
Discounted Rate Used to Determine Present Value of Projected Benefit Obligation	6.75%	7.0%	6.40%	6.40%
Expected Rate of Future Compensation Level Increases	3.0–4.0%	3.0–5.0%	n/a	n/a
Expected Long-Term Rate of Return on Plan Assets	8.75%	8.75%	n/a	n/a
Change in Benefit Obligations:				
Projected Benefit Obligation at Beginning of Year	\$ 911,993	\$ 986,472	\$ 209,914	\$ 243,545
Service Cost	11,507	12,037	721	1,486
Interest Cost	61,210	60,326	12,487	13,760
Curtailment	(1,723)	-	-	(16,417)
Plan Participant Contributions	-	-	869	629
Actuarial (Gain) Loss	28,477	(74,125)	2,992	(2,597)
Benefits Paid	(73,195)	(72,717)	(26,869)	(30,492)
Projected Benefit Obligation at End of Year	\$ 938,269	\$ 911,993	\$ 200,114	\$ 209,914
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	\$ 964,140	\$1,048,881	\$ -	\$ -
Actual Return on Plan Assets	(95,538)	(13,677)	-	-
Plan Participant Contributions	-	-	869	629
Employer Contributions	1,851	1,653	26,000	29,863
Benefits Paid	(73,195)	(72,717)	(26,869)	(30,492)
Fair Value of Plan Assets at End of Year	\$ 797,258	\$ 964,140	\$ -	\$ -
Funded Status:				
Plan Assets (Less Than) in Excess of Projected Benefit Obligation	\$ (141,011)	\$ 52,147	\$ (200,114)	\$ (209,914)
Amounts Recognized on the Balance Sheets:				
Prepaid Pension	\$ -	\$ 90,020	\$ -	\$ -
Accrued Pension Cost	(138,811)	(36,173)	-	-
Accrued Wages and Salaries	(2,200)	(1,700)	-	-
Accrued Postretirement Health Care Obligation	-	-	(155,443)	(161,684)
Accrued Liabilities	-	-	(26,343)	(30,621)
Accrued Employee Benefits	-	-	(18,328)	(17,609)
Net Amount Recognized at End of Year	\$ (141,011)	\$ 52,147	\$ (200,114)	\$ (209,914)
Amounts Recognized in Accumulated Other Comprehensive Income (Loss):				
Transition Assets (Obligation)	\$ (20)	\$ (24)	\$ -	\$ -
Net Actuarial Loss	(187,680)	(62,611)	(63,088)	(67,139)
Prior Service Credit (Cost)	(7,629)	(10,398)	2,310	2,844
Net Amount Recognized at End of Year	\$ (195,329)	\$ (73,033)	\$ (60,778)	\$ (64,295)

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The accumulated benefit obligation for all defined benefit pension plans was \$907 million and \$872 million at June 28, 2009 and June 29, 2008, respectively.

The following table summarizes the plans' income and expense for the three years indicated (in thousands):

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Components of Net Periodic (Income) Expense:						
Service Cost-Benefits Earned During the Year	\$ 11,507	\$ 12,037	\$ 13,290	\$ 721	\$ 1,486	\$ 1,777
Interest Cost on Projected Benefit Obligation	61,210	60,326	57,940	12,487	13,760	16,007
Expected Return on Plan Assets	(83,331)	(81,344)	(78,250)	-	-	-
Amortization of:						
Transition Obligation	8	8	8	-	42	46
Prior Service Cost (Credit)	3,348	3,290	3,290	(876)	(849)	(849)
Actuarial Loss	558	5,368	5,032	9,840	10,861	13,337
Net Periodic (Income) Expense	<u>\$ (6,700)</u>	<u>\$ (315)</u>	<u>\$ 1,310</u>	<u>\$ 22,172</u>	<u>\$ 25,300</u>	<u>\$ 30,318</u>

Significant assumptions used in determining net periodic benefit cost for the fiscal years indicated are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Discount Rate	6.75%	7.0%	6.35%	6.40%	6.40%	6.09%
Expected Return on Plan Assets	8.75%	8.75%	8.75%	n/a	n/a	n/a
Compensation Increase Rate	3.0-4.0%	3.0-5.0%	3.0-5.0%	n/a	n/a	n/a

The amounts in Accumulated Other Comprehensive Income that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows (in thousands):

	Pension Plans	Other Postretirement Plans
Transition Obligation	\$ 8	\$ -
Prior Service Cost (Credit)	3,112	(921)
Net Actuarial Loss	3,365	10,592

The "Other Postretirement Benefit" plans are unfunded.

For measurement purposes an 8.5% annual rate of increase in the per capita cost of covered health care claims was assumed for the Company for the fiscal year 2009 decreasing gradually to 4.5% for the fiscal year 2017. The health care cost trend rate assumptions have a significant effect on the amounts reported. An increase of one percentage point, would increase the accumulated postretirement benefit by \$8.7 million and would increase the service and interest cost by \$0.7 million for fiscal 2009. A corresponding decrease of one percentage point, would decrease the accumulated postretirement benefit by \$8.1 million and decrease the service and interest cost by \$0.7 million for the fiscal year 2009.

As discussed in Note 18 in the Notes to the Consolidated Financial Statements, the Company plans to close its Jefferson and Watertown, WI production facilities by the end of the second quarter of fiscal 2010. The closure of these facilities will result in the termination of certain employees, and the related impact on unrecognized prior service costs, unrecognized losses and the projected benefit obligation resulted in a net curtailment loss of \$1.2 million in fiscal 2009.

Plan Assets

A Board of Directors appointed Investment Committee ("Committee") manages the investment of the pension plan assets. The Committee has established and operates under an Investment Policy. It determines the

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asset allocation and target ranges based upon periodic asset/liability studies and capital market projections. The Committee retains external investment managers to invest the assets. The Investment Policy prohibits certain investment transactions, such as lettered stock, commodity contracts, margin transactions and short selling, unless the Committee gives prior approval. The Company's pension plans weighted-average asset allocations and target allocations at June 28, 2009, and June 29, 2008, by asset category are as follows:

<u>Asset Category</u>	<u>Target %</u>	<u>Plan Assets at Year-end</u>	
		<u>2009</u>	<u>2008</u>
Cash	0%-2%	8%	1%
Domestic Bonds	10%-30%	27%	29%
Non-Investment Grade Bonds	0%-15%	0%	0%
Non-US Bonds	0%-10%	0%	0%
Domestic Equities	20%-40%	18%	20%
Global & International Equities	10%-25%	9%	16%
Alternative & Absolute Return	20%-30%	34%	30%
Real Estate	4%-10%	4%	4%
		<u>100%</u>	<u>100%</u>

The plan's investment strategy is based on an expectation that, over time, equity securities will provide higher total returns than debt securities. The plan primarily minimizes the risk of large losses through diversification of investments by asset class, by investing in different types of styles within the classes and by using a number of different managers. The Committee monitors the asset allocation and investment performance monthly, with a more comprehensive quarterly review with its consultant.

The plan's expected return on assets is based on management's and the Committee's expectations of long-term average rates of return to be achieved by the plan's investments. These expectations are based on the plan's historical returns and expected returns for the asset classes in which the plan is invested.

Contributions

The Company is not required to make any contributions to the pension plans in fiscal 2010.

Estimated Future Benefit Payments

Projected benefit payments from the plans as of June 28, 2009 are estimated as follows (in thousands):

<u>Year Ending</u>	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>		
	<u>Qualified</u>	<u>Non-Qualified</u>	<u>Retiree Medical</u>	<u>Retiree Life</u>	<u>LTD</u>
2010	\$ 68,966	\$ 2,244	\$ 26,232	\$ 1,133	\$ 195
2011	69,049	2,221	27,379	1,165	199
2012	69,199	2,200	26,400	1,195	179
2013	69,231	2,174	24,239	1,223	171
2014	69,193	2,150	20,753	1,250	160
2015-2019	346,644	16,003	62,602	6,581	1,443

Defined Contribution Plans

Employees of the Company may participate in a defined contribution savings plan that allows participants to contribute a portion of their earnings in accordance with plan specifications. A maximum of 1-1/2% to 3-1/2% of each participant's salary, depending upon the participant's group, is matched by the Company. Some of these Company match contributions ceased July 1, 2009. Additionally, certain employees may receive Company nonelective contributions equal to 2% of the employee's salary. The Company contributions totaled \$8.1 million in 2009, \$6.6 million in 2008 and \$6.1 million in 2007.

Postemployment Benefits

The Company accrues the expected cost of postemployment benefits over the years that the employees render service. These benefits apply only to employees who become disabled while actively employed, or

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who terminate with at least thirty years of service and retire prior to age sixty-five. The items include disability payments, life insurance and medical benefits. These amounts are also discounted using a 6.40% interest rate for both fiscal years 2009 and 2008. Amounts are included in Accrued Employee Benefits in the Consolidated Balance Sheets.

(16) Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Receivables, Accounts Payable, Foreign Loans, Accrued Liabilities and Income Taxes Payable: The carrying amounts approximate fair market value because of the short maturity of these instruments.

Long-Term Debt: The fair market value of the Company's long-term debt is estimated based on market quotations at year-end.

The estimated fair market values of the Company's Long-Term Debt is (in thousands):

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt -				
8.875% Notes Due 2011	\$ 247,104	\$ 259,537	\$ 266,478	\$ 280,364
Borrowings on Revolving Credit Facility	\$ 34,000	\$ 34,000	\$ 99,077	\$ 99,077

(17) Separate Financial Information of Subsidiary Guarantors of Indebtedness:

In May 2001, the Company issued \$275 million of 8.875% senior notes.

On July 12, 2007, the Company entered into a \$500 million amended and restated multicurrency credit agreement. The Amended Credit Agreement ("Revolver") provides a revolving credit facility for up to \$500 million in revolving loans, including up to \$25 million in swing-line loans. The Revolver has a term of five years and all outstanding borrowings on the Revolver are due and payable on July 12, 2012. The Revolver contains covenants that the Company considers usual and customary for an agreement of this type, including a Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio. Certain of the Company's subsidiaries are required to be guarantors of the Company's obligations under the Revolver.

Under the terms of the Company's 8.875% senior notes and the Revolver (collectively, the "Domestic Indebtedness"), Briggs & Stratton Power Products Group, LLC is the joint and several guarantor of the Domestic Indebtedness (the "Guarantor"). The guarantees are full and unconditional guarantees. Additionally, if at any time a domestic subsidiary of the Company constitutes a significant domestic subsidiary, then such domestic subsidiary will also become a guarantor of the Domestic Indebtedness. Currently, all of the Domestic Indebtedness is unsecured. If the Company were to fail to make a payment of interest or principal on its due date, the Guarantor is obligated to pay the outstanding Domestic Indebtedness. The Company had the following outstanding amounts related to the guaranteed debt (in thousands):

	June 28, 2009	
	Carrying Amount	Maximum Guarantee
8.875% Senior Notes, due March 15, 2011	\$ 247,104	\$ 248,000
Revolving Credit Facility, expiring July 2012	\$ 34,000	\$ 500,000

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The following condensed supplemental consolidating financial information reflects the summarized financial information of Briggs & Stratton, its Guarantors and Non-Guarantor Subsidiaries (in thousands):

BALANCE SHEET:	Briggs & Stratton	Guarantor	Non-Guarantor		
As of June 28, 2009	Corporation	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Current Assets	\$ 447,878	\$ 378,806	\$ 243,983	\$ (214,147)	\$ 856,520
Investment in Subsidiary	693,119	-	-	(693,119)	-
Noncurrent Assets	454,694	301,229	50,964	(44,384)	762,503
	<u>\$ 1,595,691</u>	<u>\$ 680,035</u>	<u>\$ 294,947</u>	<u>\$ (951,650)</u>	<u>\$ 1,619,023</u>
Current Liabilities	\$ 348,483	\$ 47,020	\$ 117,733	\$ (214,147)	\$ 299,089
Long-Term Debt	281,104	-	-	-	281,104
Other Long-Term Obligations	271,421	72,198	44,912	(44,384)	344,147
Shareholders' Equity	694,683	560,817	132,302	(693,119)	694,683
	<u>\$ 1,595,691</u>	<u>\$ 680,035</u>	<u>\$ 294,947</u>	<u>\$ (951,650)</u>	<u>\$ 1,619,023</u>
 As of June 29, 2008					
Current Assets	\$ 543,349	\$1,071,298	\$ 234,889	\$ (870,999)	\$ 978,537
Investment in Subsidiary	1,065,613	-	-	(1,065,613)	-
Noncurrent Assets	371,781	445,777	37,199	-	854,757
	<u>\$ 1,980,743</u>	<u>\$1,517,075</u>	<u>\$ 272,088</u>	<u>\$(1,936,612)</u>	<u>\$ 1,833,294</u>
Current Liabilities	\$ 574,795	\$ 462,968	\$ 166,838	\$ (870,999)	\$ 333,602
Long-Term Debt	365,555	-	-	-	365,555
Other Long-Term Obligations	202,870	93,218	526	-	296,614
Shareholders' Equity	837,523	960,889	104,724	(1,065,613)	837,523
	<u>\$ 1,980,743</u>	<u>\$1,517,075</u>	<u>\$ 272,088</u>	<u>\$(1,936,612)</u>	<u>\$ 1,833,294</u>

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STATEMENT OF EARNINGS:	Briggs & Stratton	Guarantor	Non-Guarantor		
For the Fiscal Year Ended June 28, 2009	Corporation	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Net Sales	\$ 1,316,402	\$ 819,826	\$ 299,200	\$ (343,239)	\$ 2,092,189
Cost of Goods Sold	1,090,223	767,615	246,494	(350,397)	1,753,935
Impairment Charge	-	4,575	-	-	4,575
Gross Profit	226,179	47,636	52,706	7,158	333,679
Engineering, Selling, General and Administrative Expenses	148,811	75,801	40,726	-	265,338
Equity in Loss from Subsidiaries	8,644	-	-	(8,644)	-
Income (Loss) from Operations	68,724	(28,165)	11,980	15,802	68,341
Interest Expense	(30,657)	(166)	(324)	-	(31,147)
Other Income (Expense), Net	8,552	286	(18)	(5,605)	3,215
Income (Loss) Before Provision for Income Taxes . .	46,619	(28,045)	11,638	10,197	40,409
Provision (Credit) for Income Taxes	16,200	(9,939)	2,176	-	8,437
Net Income (Loss)	<u>\$ 30,419</u>	<u>\$ (18,106)</u>	<u>\$ 9,462</u>	<u>\$ 10,197</u>	<u>\$ 31,972</u>
 For the Fiscal Year Ended June 29, 2008					
Net Sales	\$ 1,372,382	\$ 831,024	\$ 250,046	\$ (302,059)	\$ 2,151,393
Cost of Goods Sold	1,133,200	802,254	209,022	(300,399)	1,844,077
Gross Profit	239,182	28,770	41,024	(1,660)	307,316
Engineering, Selling, General and Administrative Expenses	165,625	79,946	35,405	-	280,976
Equity in Loss from Subsidiaries	25,265	-	-	(25,265)	-
Income (Loss) from Operations	48,292	(51,176)	5,619	23,605	26,340
Interest Expense	(37,615)	(219)	(289)	-	(38,123)
Other Income, Net	42,146	1,628	913	(3,295)	41,392
Income (Loss) Before Provision for Income Taxes . .	52,823	(49,767)	6,243	20,310	29,609
Provision (Credit) for Income Taxes	25,269	(20,561)	2,301	-	7,009
Net Income (Loss)	<u>\$ 27,554</u>	<u>\$ (29,206)</u>	<u>\$ 3,942</u>	<u>\$ 20,310</u>	<u>\$ 22,600</u>
 For the Fiscal Year Ended July 1, 2007					
Net Sales	\$ 1,397,336	\$ 861,435	\$ 196,762	\$ (298,700)	\$ 2,156,833
Cost of Goods Sold	1,166,971	782,465	163,635	(294,524)	1,818,547
Impairment Charge	33,900	7,907	1,281	-	43,088
Gross Profit	196,465	71,063	31,846	(4,176)	295,198
Engineering, Selling, General and Administrative Expenses	163,553	74,676	26,742	(1,930)	263,041
Equity in Earnings from Subsidiaries	(2,531)	-	-	2,531	-
Income (Loss) from Operations	35,443	(3,613)	5,104	(4,777)	32,157
Interest Expense	(43,285)	(122)	(284)	-	(43,691)
Other Income (Expense), Net	10,440	3,143	(948)	2,201	14,836
Income (Loss) Before Provision for Income Taxes . .	2,598	(592)	3,872	(2,576)	3,302
Provision (Credit) for Income Taxes	(4,147)	(478)	1,226	-	(3,399)
Net Income (Loss)	<u>\$ 6,745</u>	<u>\$ (114)</u>	<u>\$ 2,646</u>	<u>\$ (2,576)</u>	<u>\$ 6,701</u>

Notes . . .

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 28, 2009	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 39,054	\$ (18,106)	\$ 9,462	\$ 1,562	\$ 31,972
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by					
Operating Activities:					
Depreciation and Amortization	44,476	18,758	4,569	-	67,803
Stock Compensation Expense	3,999	-	-	-	3,999
Earnings of Unconsolidated Affiliates, Net of Dividends	3,559	-	126	-	3,685
Impairment Charge	-	4,575	-	-	4,575
Equity in Loss from Subsidiaries	9	-	-	(9)	-
Loss on Disposition of Plant and Equipment	1,959	516	39	-	2,514
Long-Term Intercompany Notes	(44,384)	-	44,384	-	-
Loss on Curtailment of Employee Benefits	1,190	-	-	-	1,190
(Provision) Credit for Deferred Income Taxes . . .	27,624	(20,354)	98	-	7,368
Change in Operating Assets and Liabilities:					
Decrease in Receivables	75,859	413,751	1,860	(431,661)	59,809
Decrease in Inventories	29,966	35,295	3,339	(6,790)	61,810
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(15,647)	1,687	808	-	(13,152)
Decrease in Accounts Payable, Accrued Liabilities and Income Taxes	(54,470)	(377,898)	(24,771)	411,821	(45,318)
Change in Accrued/Prepaid Pension	(8,465)	-	24	-	(8,441)
Other, Net	566	(10,530)	4,570	-	(5,394)
Net Cash Provided by Operating Activities	105,295	47,694	44,508	(25,077)	172,420
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(27,166)	(10,994)	(4,867)	-	(43,027)
Proceeds Received on Disposition of Plant and Equipment	1,325	2,316	18	-	3,659
Cash Paid for Acquisition, Net of Cash Received . .	-	-	(24,757)	-	(24,757)
Cash Investment in Subsidiary	(11,504)	-	(200)	11,704	-
Other, Net	(348)	-	-	-	(348)
Net Cash Used by Investing Activities	(37,693)	(8,678)	(29,806)	11,704	(64,473)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net Repayments on Loans, Notes Payable and Long-Term Debt	(30,447)	(38,804)	(35,665)	19,839	(85,077)
Cash Dividends Paid	(38,171)	-	(5,238)	5,238	(38,171)
Capital Contributions Received	-	-	11,704	(11,704)	-
Net Cash Used by Financing Activities	(68,618)	(38,804)	(29,199)	13,373	(123,248)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	-	-	(1,175)	-	(1,175)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(1,016)	212	(15,672)	-	(16,476)
Cash and Cash Equivalents, Beginning of Year	2,557	1,089	28,822	-	32,468
Cash and Cash Equivalents, End of Year	\$ 1,541	\$ 1,301	\$ 13,150	\$ -	\$ 15,992

Notes . . .

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 29, 2008	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 27,554	\$ (29,206)	\$ 3,942	\$ 20,310	\$ 22,600
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	45,308	19,809	3,769	-	68,886
Stock Compensation Expense	4,563	-	-	-	4,563
Earnings of Unconsolidated Affiliates, Net of Dividends	(758)	-	(30)	-	(788)
Equity in Loss from Subsidiaries	25,265	-	-	(25,265)	-
(Gain) Loss on Disposition of Plant and Equipment	1,010	1,728	(30)	-	2,708
Gain on Sale of Investment	(36,960)	-	-	-	(36,960)
Gain on Curtailment of Employee Benefits	-	(13,288)	-	-	(13,288)
(Provision) Credit for Deferred Income Taxes	25,628	(14,921)	(201)	-	10,506
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	5,221	(113,597)	(26,155)	141,437	6,906
(Increase) Decrease in Inventories	1,466	19,745	(3,572)	751	18,390
Decrease in Prepaid Expenses and Other Current Assets	6,809	2,802	343	-	9,954
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	6,985	86,679	16,813	(132,634)	(22,157)
Change in Accrued/Prepaid Pension	(2,325)	38	29	-	(2,258)
Other, Net	(4,571)	(3,346)	(4,035)	4,179	(7,773)
Net Cash Provided (Used) by Operating Activities	105,195	(43,557)	(9,127)	8,778	61,289
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(34,805)	(28,575)	(2,133)	-	(65,513)
Proceeds Received on Disposition of Plant and Equipment	434	120	126	-	680
Proceeds Received on Sale of Investment	66,011	-	-	-	66,011
Cash Investment in Subsidiary	(5,819)	-	(202)	6,021	-
Other, Net	(503)	-	-	-	(503)
Net Cash Provided (Used) by Investing Activities	25,318	(28,455)	(2,209)	6,021	675
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans, Notes Payable and Long-Term Debt	(92,883)	74,118	8,481	(8,778)	(19,062)
Issuance Cost of Amended Revolver	(1,286)	-	-	-	(1,286)
Cash Dividends Paid	(43,560)	-	-	-	(43,560)
Capital Contributions Received	-	383	5,638	(6,021)	-
Stock Option Exercise Proceeds and Tax Benefits	991	-	-	-	991
Net Cash Provided (Used) by Financing Activities	(136,738)	74,501	14,119	(14,799)	(62,917)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	-	-	3,952	-	3,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(6,225)	2,489	6,735	-	2,999
Cash and Cash Equivalents, Beginning of Year	8,785	(1,402)	22,086	-	29,469
Cash and Cash Equivalents, End of Year	\$ 2,560	\$ 1,087	\$ 28,821	\$ -	\$ 32,468

Notes . . .

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended July 1, 2007	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 6,745	\$ (114)	\$ 2,646	\$ (2,576)	\$ 6,701
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	52,681	19,347	2,286	-	74,314
Stock Compensation Expense	8,484	-	-	-	8,484
Impairment Charge	33,900	7,907	1,281	-	43,088
Earnings of Unconsolidated Affiliates, Net of Dividends	1,903	-	(327)	-	1,576
Equity in Earnings from Subsidiaries	(2,531)	-	-	2,531	-
Loss on Disposition of Plant and Equipment	2,783	75	81	-	2,939
Provision for Deferred Income Taxes	(16,717)	(672)	(58)	-	(17,447)
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	(108,828)	(46,758)	4,970	96,644	(53,972)
(Increase) Decrease in Inventories	25,767	(21,983)	1,097	2,251	7,132
Decrease in Prepaid Expenses and Other Current Assets	1,959	9,081	518	-	11,558
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	20,311	88,901	(1,094)	(91,500)	16,618
Change in Accrued/Prepaid Pension	(8,426)	35	-	-	(8,391)
Other, Net	(3,958)	(358)	(445)	-	(4,761)
Net Cash Provided by Operating Activities	14,073	55,461	10,955	7,350	87,839
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(28,446)	(22,038)	(17,516)	-	(68,000)
Proceeds Received on Disposition of Plant and Equipment	487	52	60	-	599
Cash Investment in Subsidiary	8,619	-	181	(8,800)	-
Net Cash Used by Investing Activities	(19,340)	(21,986)	(17,275)	(8,800)	(67,401)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans and Notes Payable	44,838	(42,071)	3,811	(7,051)	(473)
Cash Dividends Paid	(43,870)	-	(1,201)	1,201	(43,870)
Capital Contributions Received	-	382	(7,682)	7,300	-
Stock Option Exercise Proceeds and Tax Benefits	3,694	-	-	-	3,694
Treasury Stock Repurchases	(48,232)	-	-	-	(48,232)
Net Cash Used by Financing Activities	(43,570)	(41,689)	(5,072)	1,450	(88,881)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	(1)	-	2,822	-	2,821
NET DECREASE IN CASH AND CASH EQUIVALENTS					
	(48,838)	(8,214)	(8,570)	-	(65,622)
Cash and Cash Equivalents, Beginning of Year	57,623	6,812	30,656	-	95,091
Cash and Cash Equivalents, End of Year	\$ 8,785	\$ (1,402)	\$ 22,086	\$ -	\$ 29,469

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(18) Impairment and Disposal Charges:

Impairment charges were recognized in the Consolidated Statements of Earnings, in the Power Products segment, for \$4.6 million pretax (\$2.8 million after tax) during fiscal 2009 related to the future closure of the Jefferson and Watertown, WI manufacturing facilities expected to be completed by the end of second quarter of fiscal 2010. Additionally, a \$1.2 million pretax (\$0.7 million after tax) curtailment loss for employee benefits was recorded in fiscal 2009, as further discussed in Note 15 of the Notes to the Consolidated Financial Statements. These facilities currently manufacture all portable generator, home standby generator and pressure washer products marketed and sold by the Company. This production will be consolidated into existing United States engine and lawn and garden product facilities to optimize plant utilization and achieve better integration between engine and end product design, manufacturing and distribution.

Impairment charges were recognized in the Consolidated Statements of Earnings for \$43.1 million pretax (\$26.2 million after tax) during fiscal 2007, of which \$33.9 and \$9.2 million were recognized in the Engines and Power Products segments, respectively. The Engines segment \$33.9 million charge was primarily for the write-down of assets of the Rolla, MO (Rolla) engine manufacturing facility that closed in the second quarter of fiscal 2008. A decision was made to close the Rolla facility as a result of the Company's analysis to reduce its fixed manufacturing costs by consolidating production into its other existing engine plants in Poplar Bluff, MO and Chongqing, China. The related impaired machinery and equipment no longer used in production was sold in an auction or scrapped during the second quarter of fiscal 2008. The \$9.2 million recognized in the Power Products segment primarily relates to the closure of the Port Washington, WI production facility, which closed in the second quarter of fiscal 2009. Management of the Company conducted an analysis of the Company's manufacturing facilities that had been acquired through acquisitions over the past several years. Management concluded to consolidate the lawn and garden manufacturing facilities into three focused factories. A new factory in Newbern, TN, located near the Company's high volume lawnmower engine plants, builds walk behind lawnmowers for the consumer market. An existing factory in McDonough, GA builds riding lawnmowers for the consumer market. A third factory in Munnsville, NY builds commercial riding lawnmowers and zero turn lawnmowers. The production from Port Washington, WI was moved primarily to the McDonough, GA facility.

For each segment, it was determined that the carrying value of the assets exceeded the undiscounted future cash flows. The impairment was computed as the difference between the estimated fair value and the carrying value of the assets. Fair value was determined based on market prices for comparable assets.

Additionally, an expense was recorded within cost of goods sold to accrue for severance payments to be paid to the employees of the Rolla facility. Accrued severance at July 1, 2007 was approximately \$1.1 million. Another approximately \$1.4 million was accrued in fiscal 2008 and approximately \$2.5 million was paid in fiscal 2008, resulting in no remaining accrued severance as of June 29, 2008.

An expense was also recorded within cost of goods sold to accrue for severance payments to be paid to employees of the Port Washington facility. Approximately \$1.8 million of severance expense was incurred related to the closure of this facility and \$1.6 million was paid, resulting in an approximate \$0.2 million accrued severance balance as of June 28, 2009.

(19) Casualty Event:

On December 1, 2008, a fire destroyed inventory and equipment in a leased warehouse facility in Dyersburg, TN. The destroyed facility supported the lawn and garden manufacturing operations in Newbern, TN where production was temporarily suspended as replacement parts and components were expedited. Production at the Newbern plant has since resumed to normal levels.

Assets lost in the fire were valued at approximately \$24.9 million. Total insurance installment proceeds received in fiscal 2009 were \$22.0 million. The Company believes all property losses incurred are covered under property insurance policies subject to customary incurred loss deductibles.

(20) Subsequent Events:

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which requires disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial

Notes . . .

statements were issued or the date the financial statements were available to be issued. The Company has evaluated subsequent events through August 27, 2009, the date the financial statements were issued. The Company noted no significant subsequent events that occurred through this date requiring adjustment to the financial statements or disclosures.