BRIGGS & STRATTON CORP
Form 10-Q
February 03, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 27, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number 1-1370

BRIGGS & STRATTON CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0182330**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12301 West Wirth Street, Wauwatosa, Wisconsin 53222
(Address of Principal Executive Offices) (Zip Code)
414/259-5333

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	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 x

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

Class	**Outstanding at January 29, 2010**
COMMON STOCK, par value $0.01 per share	50,003,126 Shares

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

ASSETS

	(Unaudited) December 27, 2009	June 28, 2009
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 22,909	$ 15,992
Accounts Receivable, Net	218,915	262,934
Inventories -		
Finished Products and Parts	460,184	359,429
Work in Process	130,914	109,774
Raw Materials	4,966	8,136
Total Inventories	596,064	477,339
Deferred Income Tax Asset	57,285	51,658
Prepaid Expenses and Other Current Assets	27,223	48,597
Total Current Assets	922,396	856,520
OTHER ASSETS:		
Goodwill	254,844	253,854
Investments	16,673	18,667
Other Intangible Assets, Net	91,343	92,190
Long-Term Deferred Income Tax Asset	23,964	23,165
Other Long-Term Assets, Net	11,951	10,452
Total Other Assets	398,775	398,328
PLANT AND EQUIPMENT:		
Cost	981,162	995,682
Less - Accumulated Depreciation	632,399	631,507
Total Plant and Equipment, Net	348,763	364,175
TOTAL ASSETS	$ 1,669,934	$ 1,619,023

The accompanying notes are an integral part of these statements.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (Continued)

(In thousands, except per share data)

LIABILITIES & SHAREHOLDERS INVESTMENT

	(Unaudited) December 27, 2009	June 28, 2009
CURRENT LIABILITIES:		
Accounts Payable	$ 135,580	$ 128,151
Short-Term Debt	106,415	3,000
Accrued Liabilities	163,881	167,938
Total Current Liabilities	405,876	299,089
OTHER LIABILITIES:		
Deferred Income Tax Liability	3,280	
Accrued Pension Cost	133,137	138,811
Accrued Employee Benefits	19,512	19,429
Accrued Postretirement Health Care Obligation	150,238	155,443
Other Long-Term Liabilities	28,686	30,463
Long-Term Debt	230,924	281,104
Total Other Liabilities	565,777	625,250
SHAREHOLDERS INVESTMENT:		
Common Stock -		
Authorized 120,000 shares, $.01 par value, issued 57,854 shares	579	579
Additional Paid-in Capital	79,455	77,522
Retained Earnings	1,059,632	1,075,838
Accumulated Other Comprehensive Loss	(237,355)	(250,273)
Treasury Stock at cost, 7,852 and 8,042 shares, respectively	(204,030)	(208,982)
Total Shareholders Investment	698,281	694,684
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	$ 1,669,934	$ 1,619,023

The accompanying notes are an integral part of these statements.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
NET SALES	$ 393,049	$ 477,481	$ 717,656	$ 935,632
COST OF GOODS SOLD	322,399	401,584	594,616	795,016
Gross profit on sales	70,650	75,897	123,040	140,616
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	60,339	63,302	121,132	128,153
Income from operations	10,311	12,595	1,908	12,463
INTEREST EXPENSE	(7,179)	(8,714)	(13,655)	(16,611)
OTHER INCOME, net	1,137	687	2,427	1,886
Income (Loss) before income taxes	4,269	4,568	(9,320)	(2,262)
PROVISION (CREDIT) FOR INCOME TAXES	1,244	1,376	(3,658)	(3,498)
NET INCOME (LOSS)	$ 3,025	$ 3,192	$ (5,662)	$ 1,236
EARNINGS (LOSS) PER SHARE DATA				
Average Shares Outstanding	49,595	49,571	49,594	49,567
Basic Earnings (Loss) Per Share	$ 0.06	$ 0.06	$ (0.12)	$ 0.02
Diluted Average Shares Outstanding	50,040	49,707	49,594	49,664
Diluted Earnings (Loss) Per Share	$ 0.06	$ 0.06	$ (0.12)	$ 0.02
CASH DIVIDENDS PER SHARE	$ 0.11	$ 0.22	$ 0.22	$ 0.44

The accompanying notes are an integral part of these statements.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended December 27, 2009	Six Months Ended December 28, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (5,662)	$ 1,236
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and Amortization	32,265	34,580
Stock Compensation Expense	5,359	2,560
Loss on Disposition of Plant and Equipment	1,013	641
(Provision) Credit for Deferred Income Taxes	(6,216)	4
Earnings of Unconsolidated Affiliates	(1,460)	(810)
Dividends Received from Unconsolidated Affiliates	4,005	4,812
Change in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	44,779	(8,344)
Increase in Inventories	(118,127)	(68,125)
Decrease (Increase) in Other Current Assets	10,271	(355)
Decrease in Accounts Payable and Accrued Liabilities	10,296	4,958
Changes in Accrued Pension	(2,386)	(4,214)
Other, Net	584	(5,684)
Net Cash Used by Operating Activities	(25,279)	(38,741)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Plant and Equipment	(15,592)	(21,140)
Cash Paid for Acquisition, Net of Cash Acquired		(24,757)
Proceeds Received on Sale of Plant and Equipment	172	2,211
Other, Net	(144)	
Net Cash Used by Investing Activities	(15,564)	(43,686)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings on Loans, Notes Payable and Long-term Debt	52,932	81,650
Dividends Paid	(5,500)	(10,906)
Net Cash Provided by Financing Activities	47,432	70,744
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	328	(1,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,917	(13,432)
CASH AND CASH EQUIVALENTS, Beginning	15,992	32,468

CASH AND CASH EQUIVALENTS, Ending	$ 22,909	$ 19,036
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 13,672	$ 16,142
Income Taxes Paid	$ 2,317	$ 2,103

The accompanying notes are an integral part of these statements.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

General Information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. The year-end condensed balance sheet data was derived from audited financial statements, but also does not include all disclosures required by accounting principles generally accepted in the United States. However, in the opinion of Briggs & Stratton Corporation (the Company), adequate disclosures have been presented to prevent the information from being misleading, and all adjustments necessary to present fair statements of the results of operations and financial position have been included. All of these adjustments are of a normal recurring nature. These consolidated condensed financial statements should be read in conjunction with the financial statements and the notes thereto which were included in our latest Annual Report on Form 10-K.

Earnings Per Share

In June 2008, new guidance was issued requiring unvested share-based payment awards that contain non-forfeitable rights to dividends (whether paid or unpaid) to be treated as participating securities and included in the computation of basic earnings per share. The Company adopted this guidance June 29, 2009. The guidance requires all prior-period earnings per share data to be adjusted retrospectively. The adoption had no impact on the Company s earnings per share for the second fiscal quarters ended December 27, 2009 and December 28, 2008 or for the six months ended December 28, 2008. It had a $0.01 impact on the earnings per share for the six months ended December 27, 2009. The calculation of earnings per share for common stock below excludes the income attributable to the unvested share units from the numerator and excludes the dilutive impact of those units from the denominator.

Shares outstanding used to compute diluted earnings per share for the quarter ended December 27, 2009 excluded outstanding options to purchase approximately 4,600,000 shares of common stock because the options exercise price was greater than the average market price of the common shares. Shares outstanding used to compute diluted earnings per share for the six months ended December 27, 2009 excluded approximately 346,000 shares for restricted and deferred stock and outstanding options to purchase approximately 4,400,000 shares of common stock as their inclusion would have been anti-dilutive.

Shares outstanding used to compute diluted earnings per share for the three and six months ended December 28, 2008 excluded outstanding options to purchase approximately 4,329,000 and 4,130,000 shares of common stock, respectively, because the options exercise price was greater than the average market price of the common shares.

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

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Net Income (Loss)	$ 3,025	$ 3,192	$ (5,662)	$ 1,236
Less: Dividends Attributable to Unvested Shares	(74)	(78)	(149)	(155)
Net Income (Loss) available to Common Shareholders	$ 2,951	$ 3,114	$ (5,811)	$ 1,081
Average Shares of Common Stock Outstanding	49,595	49,571	49,594	49,567
Diluted Average Shares of Common Stock Outstanding	50,040	49,707	49,594	49,664

Basic Earnings (Loss) Per Share	$	0.06	$	0.06	$	(0.12)	$	0.02
Diluted Earnings (Loss) Per Share	$	0.06	$	0.06	$	(0.12)	$	0.02

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Comprehensive Income (Loss)

Comprehensive income (loss) is a more inclusive financial reporting method that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Comprehensive income (loss) is defined as net income and other changes in shareholders investment from transactions and events other than with shareholders. Total comprehensive income (loss) is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Net Income (Loss)	$ 3,025	$ 3,192	$ (5,662)	$ 1,236
Cumulative Translation Adjustments	(1,184)	(8,472)	4,975	(18,864)
Unrealized Gain (Loss) on Derivative Instruments	3,430	(1,848)	3,015	(7,165)
Unrecognized Pension & Postretirement Obligation	2,464	2,236	4,928	4,470
Total Comprehensive Income (Loss)	$ 7,735	$ (4,892)	$ 7,256	$ (20,323)

The components of Accumulated Other Comprehensive Loss are as follows (in thousands):

	December 27, 2009	June 28, 2009
Cumulative Translation Adjustments	$ 13,937	$ 8,961
Unrealized Loss on Derivative Instruments	(111)	(3,127)
Unrecognized Pension & Postretirement Obligation	(251,181)	(256,107)
Accumulated Other Comprehensive Loss	$ (237,355)	$ (250,273)

Derivative Instruments & Hedging Activity

Derivatives are recorded on the balance sheet as assets or liabilities, measured at fair value. The Company enters into derivative contracts designated as cash flow hedges to manage certain foreign currency and commodity exposures.

Changes in the fair value of cash flow hedges to manage its foreign currency exposure are recorded on the Consolidated Condensed Statements of Income or as a component of Accumulated Other Comprehensive Loss. The amounts included in Accumulated Other Comprehensive Loss are reclassified into income when the forecasted transactions occur. These forecasted transactions represent the exporting of products for which the Company 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 would be recorded as either income or expense in the accompanying Consolidated Condensed Statements of Income. These instruments generally do not have a maturity of more than twenty-four 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 100% 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 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 Loss, which are reclassified into the income statement as the monthly cash settlements occur and actual natural gas is consumed. These instruments 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 100% of its anticipated copper usage, and the fair value of outstanding future contracts is reflected as an asset or liability on the accompanying Consolidated Condensed Balance Sheet based on NYMEX prices. Changes in fair value are reflected as a Component of Accumulated Other Comprehensive Loss if the forward purchase contracts are deemed to be effective. Changes in the fair value of all derivatives deemed to be ineffective would be recorded as either income or expense in the accompanying Consolidated Condensed Statements of Income. 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 instruments generally do not have a maturity of more than twenty-four months.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

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 December 27, 2009, the Company had the following outstanding derivative contracts (in thousands):

Contract		Quantity	
Foreign Currency:			
Australian Dollar	Sell	16,424	AUD
Canadian Dollar	Sell	6,400	CAD
Czech Koruna	Buy	7,500	CZK
Euro	Sell	109,900	EUR
British Pound	Buy	500	GBP
Japanese Yen	Buy	865,000	JPY
Swedish Krona	Buy	3,500	SEK
Commodity:			
Copper	Buy	150	Pounds
Natural Gas	Buy	21,425	Therms

As of December 27, 2009 and for the six months ended December 27, 2009, the Company s derivative contracts had the following impact on the Consolidated Condensed Balance Sheet and the Consolidated Condensed Statement of Income (in thousands):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency contracts	Other Current Assets	$ 1,121	Accrued Liabilities	$ 3,316
Commodity contracts	Other Current Assets	271	Accrued Liabilities	1,233
Foreign currency contracts	Other Long-Term Assets, Net	1,692	Other Long-Term Liabilities	
Commodity contracts	Other Long-Term Assets, Net		Other Long-Term Liabilities	469
		$ 3,084		$ 5,018

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss on Derivatives (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	$ 950	Net Sales	$ (3,674)
Foreign currency contracts	(80)	Cost of Goods Sold	363
Commodity contracts	(981)	Cost of Goods Sold	(1,777)
	$ (111)		$ (5,088)

Of the net $0.1 million loss detailed above that is currently recognized in Accumulated Other Comprehensive Loss, a $0.9 million loss is expected to be reclassified into the earnings within the next twelve months.

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Segment Information

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

	Three Months Ended		Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
NET SALES:				
Engines	$ 274,332	$ 339,287	$ 484,735	$ 597,908
Power Products	156,576	192,012	320,182	447,543
Inter-Segment Eliminations	(37,859)	(53,818)	(87,261)	(109,819)
Total *	$ 393,049	$ 477,481	$ 717,656	$ 935,632
* International sales included in net sales based on product shipment destination	$ 147,374	$ 164,930	$ 232,812	$ 276,797
GROSS PROFIT ON SALES:				
Engines	$ 59,909	$ 65,697	$ 96,309	$ 106,124
Power Products	14,014	10,953	36,044	32,484
Inter-Segment Eliminations	(3,273)	(753)	(9,313)	2,008
Total	$ 70,650	$ 75,897	$ 123,040	$ 140,616
INCOME (LOSS) FROM OPERATIONS:				
Engines	$ 18,043	$ 21,970	$ 12,129	$ 16,459
Power Products	(4,459)	(8,622)	(908)	(6,004)
Inter-Segment Eliminations	(3,273)	(753)	(9,313)	2,008
Total	$ 10,311	$ 12,595	$ 1,908	$ 12,463

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. The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

	Six Months Ended	
	December 27, 2009	December 28, 2008
Beginning Balance	$ 42,044	$ 49,548
Payments	(16,724)	(17,652)
Provision for Current Year Warranties	14,513	15,683
Adjustment to Prior Years Warranties	(1,523)	(834)
Ending Balance	$ 38,310	$ 46,745

Stock Incentives

Stock based compensation is calculated by estimating the fair value of incentive stock awards granted and amortizing the estimated value over the awards vesting periods. Some awards vesting periods are subject to acceleration based on the participants retirement eligibility. Stock based compensation expense was $1.2 million and $5.4 million for the quarter and six months ended December 27, 2009, respectively. For the quarter and six months ended December 28, 2008, stock based compensation expense was $0.6 million and $2.6 million, respectively.

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Pension and Postretirement Benefits

The Company has noncontributory, defined benefit retirement plans and postretirement plans covering certain employees. The following tables summarize the plans income and expense for the periods indicated (in thousands):

	Pension Benefits Three Months Ended		Other Postretirement Benefits Three Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Components of Net Periodic (Income) Expense:				
Service Cost-Benefits Earned	$ 2,914	$ 2,603	$ 120	$ 319
Interest Cost on Projected Benefit Obligation	15,149	15,231	2,840	3,100
Expected Return on Plan Assets	(20,264)	(20,796)		
Amortization of:				
Transition Obligation	2	2		
Prior Service Cost (Credit)	756	852	(230)	(219)
Actuarial Loss	693	146	2,534	2,603
Net Periodic (Income) Expense	$ (750)	$ (1,962)	$ 5,264	$ 5,803

	Pension Benefits Six Months Ended		Other Postretirement Benefits Six Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Components of Net Periodic (Income) Expense:				
Service Cost-Benefits Earned	$ 5,636	$ 5,739	$ 314	$ 637
Interest Cost on Projected Benefit Obligation	30,372	30,573	5,632	6,201
Expected Return on Plan Assets	(40,510)	(41,665)		
Amortization of:				
Transition Obligation	4	4		
Prior Service Cost (Credit)	1,534	1,674	(460)	(438)
Actuarial Loss	1,586	279	5,103	5,206
Net Periodic (Income) Expense	$ (1,378)	$ (3,396)	$ 10,589	$ 11,606

The Company expects to make benefit payments of approximately $2.0 million attributable to its non-qualified pension plans during fiscal 2010. During the first six months of fiscal 2010, the Company made payments of approximately $1.0 million for its non-qualified pension plans. The Company anticipates making benefit payments of approximately $23.4 million for its other postretirement benefit plans during fiscal 2010. During the first six months of fiscal 2010, the Company made payments of $11.7 million for its other postretirement benefit plans.

The Company is not required to, nor has or intends to, make any contributions to the qualified pension plan during fiscal 2010, but may be required to make contributions in future years depending upon the actual return on plan assets and the funded status of the plan in future periods.

Income Taxes

As of June 28, 2009, the Company had $24.1 million of gross unrecognized tax benefits. Of this amount, $15.8 million represented the portion that, if recognized, would impact the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. For the six months ended December 27, 2009, the Company recorded a reduction of the tax reserve of $0.4 million. The decrease relates primarily to the resolution of a federal audit plus a small impact for interest rate adjustments year to date. Over the next twelve months it is possible that we will settle global tax examinations, which could decrease the amount of unrecognized tax benefits. Due to the various jurisdictions in which the Company files tax returns and the uncertainty regarding the timing of the settlements, the amount cannot be reasonably estimated.

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The Company files income tax returns in the U.S. federal, various state and foreign jurisdictions. In the U.S., the Company is no longer subject to U.S. federal income tax examinations before 2006 and is currently under audit by the IRS for fiscal years 2006 through 2008. With respect to the Company s major foreign jurisdictions, it is no longer subject to tax examinations before 1999.

New Accounting Pronouncements

In August 2009, the Financial Accounting Standards Board (FASB) issued a clarification on fair value measurements. This clarification provides that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. This clarification was effective in the first reporting period following issuance, and did not have a material impact on the Company s financial statements.

In June 2009, the FASB issued new guidance for the hierarchy of accounting standards, which establishes the *Accounting Standards Codification TM* (Codification) as the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Under the Codification, all of its content will carry the same level of authority. This statement is effective for the Company beginning with the first quarter of our current fiscal year. The adoption of this statement did not have a material impact on the Company s financial position or results of operations.

In June 2009, the FASB issued new guidance that 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. The Company is currently assessing the potential impacts, if any, on the consolidated financial statements.

In April 2009, the FASB issued an update that requires disclosure about the fair value of financial instruments whenever summarized financial information for interim periods is issued, and requires disclosure of the fair value of all financial instruments (where practicable) in the body or accompanying notes of interim and annual financial statements. This update was effective for the Company s first quarter of fiscal 2010, with no material impact on the financial statements.

In December 2008, the FASB issued additional guidance on an employer s disclosures regarding plan assets of a defined benefit pension or other postretirement plan. The objectives of the disclosures required under this guidance are to provide users of financial statements with an understanding of how investment allocation decisions are made; the major categories of plan assets; the inputs and valuation techniques used to measure the fair value of plan assets; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. These disclosures around plan assets are required for fiscal years ending after December 15, 2009. The adoption of this statement is not expected to have a material impact on the company s financial position or results of operations.

In February 2008, the FASB issued guidance which delayed the effective date of fair value guidance for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The Company adopted the guidance related to its nonfinancial assets and nonfinancial liabilities as of September 27, 2009. There was no material financial impact as a result of the adoption.

In December 2007, the FASB issued new guidance regarding business combinations and acquisitions. The new guidance states that all business combinations (whether full, partial or step acquisitions) will result in all assets and liabilities of an acquired business being recorded at their fair values. Certain forms of contingent consideration and certain acquired contingencies will be recorded at fair value at the acquisition date. This guidance also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. This statement is effective for the Company beginning with the current fiscal year. The impact of the adoption of this guidance will depend on the nature and significance of business combinations the Company enters into subsequent to adoption.

Fair Value Measurements

The following guidance establishes 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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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

The following table presents information about the Company s financial assets and liabilities measured at fair value on a recurring basis as of December 27, 2009 (in thousands):

		Fair Value Measurement Using		
	December 27, 2009	Level 1	Level 2	Level 3
Assets:				
Derivatives	$ 3,084	$ 2,813	$ 271	$
Liabilities:				
Derivatives	$ 5,018	$ 3,316	$ 1,702	$

Commitments and Contingencies

Briggs & Stratton is subject to various unresolved legal actions that arise in the normal course of its business. These actions typically relate to product liability (including asbestos-related liability), patent and trademark matters, and disputes with customers, suppliers, distributors and dealers, competitors and employees.

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 without prejudice 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, the Court has extended the stay on two occasions to allow those mediation efforts to continue. The current stay extends through February 22, 2010. The Company has yet to answer or otherwise plead in response to any of the complaints filed to date.

Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes the unresolved legal actions will not have a material effect on its financial position, operations or cash flow.

Financial Information of Subsidiary Guarantor of Indebtedness

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.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

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

	December 27, 2009 Carrying Amount	Maximum Guarantee
8.875% Senior Notes, due March 15, 2011	$ 230,924	$ 231,517
Revolving Credit Facility, expiring July 12, 2012	$ 103,415	$ 500,000

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

BALANCE SHEET

As of December 27, 2009

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets	$ 475,317	$ 388,399	$ 260,728	$ (202,048)	$ 922,396
Investment in Subsidiaries	702,318			(702,318)	
Non-Current Assets	447,076	297,539	52,018	(49,095)	747,538
	$ 1,624,711	$ 685,938	$ 312,746	$ (953,461)	$ 1,669,934
Current Liabilities	$ 434,486	$ 64,067	$ 109,371	$ (202,048)	$ 405,876
Long-term Debt	230,924				230,924
Other Long-term Obligations	261,020	73,185	49,743	(49,095)	334,853
Shareholders Investment	698,281	548,686	153,632	(702,318)	698,281
	$ 1,624,711	$ 685,938	$ 312,746	$ (953,461)	$ 1,669,934

BALANCE SHEET

As of June 28, 2009

Briggs & Stratton	Guarantor Subsidiary	Non-Guarantor	Eliminations	Consolidated

	Corporation		Subsidiaries		
Current Assets	$ 447,878	$ 378,806	$ 243,983	$ (214,147)	$ 856,520
Investment in Subsidiaries	693,119			(693,119)	
Non-current Assets	454,694	301,229	50,964	(44,384)	762,503
	$ 1,595,691	$ 680,035	$ 294,947	$ (951,650)	$ 1,619,023
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 Investment	694,683	560,817	132,302	(693,119)	694,683
	$ 1,595,691	$ 680,035	$ 294,947	$ (951,650)	$ 1,619,023

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

STATEMENT OF INCOME

For the Three Months Ended December 27, 2009

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 254,624	$ 133,612	$ 69,297	$ (64,484)	$ 393,049
Cost of Goods Sold	200,865	127,832	53,439	(59,737)	322,399
Gross Profit	53,759	5,780	15,858	(4,747)	70,650
Engineering, Selling, General and Administrative Expenses	34,458	16,264	9,617		60,339
Equity in Loss from Subsidiaries	1,760			(1,760)	
Income (Loss) from Operations	17,541	(10,484)	6,241	(2,987)	10,311
Interest Expense	(7,115)	(24)	(40)		(7,179)
Other Income, Net	1,003	29	105		1,137
Income (Loss) before Income Taxes	11,429	(10,479)	6,306	(2,987)	4,269
Provision (Credit) for Income Taxes	3,657	(3,781)	1,368		1,244
Net Income (Loss)	$ 7,772	$ (6,698)	$ 4,938	$ (2,987)	$ 3,025

STATEMENT OF INCOME

For the Three Months Ended December 28, 2008

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 313,218	$ 172,021	$ 77,146	$ (84,904)	$ 477,481
Cost of Goods Sold	258,245	164,770	65,884	(87,315)	401,584
Gross Profit	54,973	7,251	11,262	2,411	75,897
Engineering, Selling, General and Administrative Expenses	36,921	18,109	8,272		63,302
Equity in Loss from Subsidiaries	5,042			(5,042)	
Income (Loss) from Operations	13,010	(10,858)	2,990	7,453	12,595
Interest Expense	(8,531)	(59)	(124)		(8,714)
Other Income (Expense), Net	1,441	302	(502)	(554)	687
Income (Loss) before Income Taxes	5,920	(10,615)	2,364	6,899	4,568

Provision (Credit) for Income Taxes	4,585	(4,056)	847		1,376
Net Income (Loss)	$ 1,335	$ (6,559)	$ 1,517	$ 6,899	$ 3,192

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

STATEMENT OF INCOME

For the Six Months Ended December 27, 2009

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 445,856	$ 278,831	$ 129,294	$ (136,325)	$ 717,656
Cost of Goods Sold	365,691	258,229	97,737	(127,041)	594,616
Gross Profit	80,165	20,602	31,557	(9,284)	123,040
Engineering, Selling, General and Administrative Expenses	69,214	32,294	19,624		121,132
Equity in Earnings from Subsidiaries	(2,345)			2,345	
Income (Loss) from Operations	13,296	(11,692)	11,933	(11,629)	1,908
Interest Expense	(13,505)	(51)	(99)		(13,655)
Other Income, Net	2,153	117	7	150	2,427
Income (Loss) before Income Taxes	1,944	(11,626)	11,841	(11,479)	(9,320)
Provision (Credit) for Income Taxes	(1,528)	(4,176)	2,046		(3,658)
Net Income (Loss)	$ 3,472	$ (7,450)	$ 9,795	$ (11,479)	$ (5,662)

STATEMENT OF INCOME

For the Six Months Ended December 28, 2008

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 551,677	$ 406,053	$ 154,532	$ (176,630)	$ 935,632
Cost of Goods Sold	463,591	383,212	132,917	(184,704)	795,016
Gross Profit	88,086	22,841	21,615	8,074	140,616
Engineering, Selling, General and Administrative Expenses	74,211	34,877	19,065		128,153
Equity in Loss from Subsidiaries	7,056			(7,056)	
Income (Loss) from Operations	6,819	(12,036)	2,550	15,130	12,463
Interest Expense	(16,313)	(100)	(198)		(16,611)
Other Income (Expense), Net	3,416	232	(497)	(1,265)	1,886
Income (Loss) before Income Taxes	(6,078)	(11,904)	1,855	13,865	(2,262)

Provision (Credit) for Income Taxes	(505)	(4,531)	1,538		(3,498)
Net Income (Loss)	$ (5,573)	$ (7,373)	$ 317	$ 13,865	$ 1,236

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

STATEMENT OF CASH FLOWS

For the Six Months Ended December 27, 2009

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Cash Provided (Used) by Operating Activities	$ 5,457	$ (18,979)	$ (8,661)	$ (3,096)	$ (25,279)
Cash Flows from Investing Activities:					
Additions to Plant and Equipment	(8,296)	(5,500)	(1,796)		(15,592)
Proceeds Received on Sale of Plant and Equipment	158	2	12		172
Cash Investment in Subsidiary	(9,519)		613	8,906	
Other, net	(144)				(144)
Net Cash Used by Investing Activities	(17,801)	(5,498)	(1,171)	8,906	(15,564)
Cash Flows from Financing Activities:					
Net Borrowings on Loans, Notes Payable and Long-term Debt	21,467	26,248	2,121	3,096	52,932
Dividends Paid	(5,500)				(5,500)
Capital Contributions Received			8,906	(8,906)	
Net Cash Provided by Financing Activities	15,967	26,248	11,027	(5,810)	47,432
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents			328		328
Net Increase in Cash and Cash Equivalents	3,623	1,771	1,523		6,917
Cash and Cash Equivalents, Beginning	1,541	1,301	13,150		15,992
Cash and Cash Equivalents, Ending	$ 5,164	$ 3,072	$ 14,673	$	$ 22,909

STATEMENT OF CASH FLOWS

For the Six Months Ended December 28, 2008

(Unaudited)

	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Cash Provided (Used) by Operating Activities	$ (75,451)	$ 36,052	$ 32,228	$ (31,570)	$ (38,741)

Cash Flows from Investing Activities:					
Additions to Plant and Equipment	(15,022)	(4,685)	(1,433)		(21,140)
Cash Paid for Acquisition, Net of Cash Received			(24,757)		(24,757)
Proceeds Received on Sale of Plant and Equipment	26	2,167	18		2,211
Cash Investment in Subsidiary	(9,686)		(221)	9,907	
Net Cash Used by Investing Activities	(24,682)	(2,518)	(26,393)	9,907	(43,686)
Cash Flows from Financing Activities:					
Net Borrowings (Repayments) on Loans, Notes Payable and Long-term Debt	111,986	(30,418)	(30,371)	30,453	81,650
Dividends Paid	(10,906)		(1,117)	1,117	(10,906)
Capital Contributions Received			9,907	(9,907)	
Net Cash Provided (Used) by Financing Activities	101,080	(30,418)	(21,581)	21,663	70,744
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents			(1,749)		(1,749)
Net Increase (Decrease) in Cash and Cash Equivalents	947	3,116	(17,495)		(13,432)
Cash and Cash Equivalents, Beginning	2,560	1,087	28,821		32,468
Cash and Cash Equivalents, Ending	$ 3,507	$ 4,203	$ 11,326	$	$ 19,036

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Subsequent Events

In May 2009, the FASB issued guidance requiring disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Company has evaluated subsequent events through February 3, 2010, the date the financial statements were issued. The Company noted no significant events that occurred through this date requiring adjustment to the financial statements or disclosures.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management s discussion and analysis of the Company s financial condition and results of operations for the periods included in the accompanying consolidated condensed financial statements:

RESULTS OF OPERATIONS

SALES

Consolidated net sales for the second quarter of fiscal 2010 were $393 million, a decrease of $84 million or 18% when compared to the same period a year ago.

Second quarter fiscal 2010 net sales for the Engines Segment were $274 million versus $339 million in fiscal 2009, a decrease of $65 million or 19%. This decrease is primarily attributable to a 15% decrease in engine unit shipments between quarters which is driven by lower shipments for lawn and garden applications as some OEMs are delaying deliveries of engines to control their inventory investment ahead of an uncertain market environment for the spring of 2010. Additionally, engine requirements for portable generators were down due to the lack of any significant weather events and engine shipments for snow thrower applications were down because of placement shifts.

Second quarter fiscal 2010 Power Products Segment net sales were $157 million, a $35 million or 18% decrease from the second quarter of fiscal 2009. This decline is primarily attributable to decreased portable generator shipments. Replenishment demand that occurred because of major weather events in fiscal 2009 did not occur in fiscal 2010 due to the lack of weather events. In general, all lawn and garden unit shipments were down from the prior year, except for stronger snow thrower shipments. All levels of the lawn and garden distribution channel appear to be managing to lower inventory levels ahead of the spring 2010 retail season.

Consolidated net sales for the first six months of fiscal 2010 were $718 million, a decrease of $218 million or 23% when compared to the same period a year ago.

Engines Segment net sales for the first six months of fiscal 2010 were $485 million, a $113 million or 19% decrease compared to the first six months of fiscal 2009. This decrease reflects an 18% decline in engine unit shipments between years primarily resulting from the same reasons mentioned for the second quarter. Additionally, first quarter engine sales were light because 2009 summer retail demand for lawn and garden equipment was soft and did not generate levels of engine reorders similar to those in the prior year.

Power Products Segment net sales for the first six months of fiscal 2010 were $320 million, a $128 million or 29% decrease compared to the first six months of fiscal 2010. This decline was primarily the result of a decrease in portable generator shipments due to no hurricanes making landfall in the United States in the first half of fiscal 2010. Other than a small increase in pressure washer shipments, the other product offerings in this reporting segment had volume declines between years.

GROSS PROFIT MARGIN

The consolidated gross profit margin improved to 18.0% for the second quarter of fiscal 2010 from 15.9% in the same period last year.

Engines Segment gross profit margin increased to 21.8% for the second quarter of fiscal 2010 from 19.4% in the second quarter of fiscal 2009. This improvement was the result of lower manufacturing and operating costs, resulting primarily from lower commodity costs and planned cost savings initiatives.

The Power Products Segment gross profit margin increased to 9.0% for the second quarter of fiscal 2010 from 5.7% in the second quarter of fiscal 2009. This improvement was the result of lower manufacturing costs, primarily related to lower commodity costs and planned cost savings initiatives, partially offset by expenses associated with the previously announced closing of the Jefferson, Wisconsin manufacturing facility.

The consolidated gross profit margin for the first six months of fiscal 2010 improved to 17.1% from 15.0% in the first six months of fiscal 2009.

The Engines Segment gross profit margin increased to 19.9% for the first six months of fiscal 2010 from 17.7% in the first six months of fiscal 2009. This improvement is attributable to the same factors mentioned for the second quarter.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

The Power Products Segment gross profit margin increased to 11.3% for the first six months of fiscal 2010 from 7.3% in the first six months of fiscal 2009. This improvement is attributable to the same factors mentioned for the second quarter, offset by an unfavorable mix of lawn and garden product shipments.

ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Engineering, selling, general and administrative expenses were $60.3 million in the second quarter of fiscal 2010, a decrease of $3.0 million or 5% from the second quarter of fiscal 2009. Engineering, selling, general and administrative expenses were $121.1 million for the first six months of fiscal 2010, a decrease of $7.0 million or 5% from the first six months of fiscal 2009. These decreases are due to planned reductions in salaries, fringes and professional services expenses.

INTEREST EXPENSE

Interest expense for the second quarter of fiscal 2010 was $7.2 million compared to the $8.7 million in fiscal 2009. Interest expense for the first six months of fiscal 2010 was $13.7 million compared to $16.6 million in fiscal 2009. These decreases are attributable to lower average borrowings for working capital purposes.

PROVISION FOR INCOME TAXES

The second quarter and year to date fiscal 2010 effective tax rates are at 29% and 39%, respectively, versus the 30% and 155% used in the same respective periods last year. The difference between the effective tax rates for the six month periods was due to the impact of higher levels of discrete items related to foreign dividends in fiscal 2009 compared to fiscal 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash used by operating activities in the first six months of fiscal 2010 was $25.3 million, a $13.4 million improvement from the $38.7 million used by operating activities in the first six months of fiscal 2009. This improvement was primarily attributable to $19.1 million less of working capital requirements between years, offset by weakened operating results. The improvement in working capital requirements is primarily the result of reduced accounts receivable due to the timing and level of sales, offset by increased inventory, primarily portable generators due to the lack of sales for weather events.

Cash used by investing activities was $15.6 million and $43.7 million in the first six months of fiscal 2010 and fiscal 2009, respectively. The $28.1 million decrease was primarily the result of the absence of the $24.8 million used for the acquisition of Victa Lawncare Pty. Ltd. in the first six months of fiscal 2009 and planned reductions to plant and equipment spending.

Cash provided by financing activities was $47.4 million and $70.7 million in the first six months of fiscal 2010 and fiscal 2009, respectively. This $23.3 million decrease is attributable to decreased net borrowings for working capital purposes, offset by a reduction in dividends paid.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

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. As of December 27, 2009, borrowings on the Revolver totaled $103.4 million. This credit facility and the Company s other indebtedness contain restrictive covenants as described in Note 9 of the Notes to the Consolidated Financial Statements of the Company s Annual Report on Form 10-K. As of the end of the second quarter of fiscal 2010, the Company was in compliance with these covenants.

The Company expects capital expenditures to be approximately $50 to $55 million in fiscal 2010. These anticipated expenditures reflect our plans to continue to reinvest in equipment, new products, and capacity enhancements.

The Company is not required to make any contributions to the qualified pension plan during fiscal 2010, but may be required to make contributions in future years depending upon the actual return on plan assets and the funded status of the plan in future periods.

The Company s $231 million of 8.875% Senior Notes will mature in March 2011. At this time, the Company believes it will be able to replace these borrowings with new financing.

Management believes that available cash, cash generated from operations and existing lines of credit will be adequate to fund the Company s capital requirements for the foreseeable future.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes since the August 27, 2009, filing of the Company s Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS

There have been no material changes since the August 27, 2009, filing of the Company s Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

There have been no material changes in the Company s critical accounting policies since the August 27, 2009 filing of its Annual Report on Form 10-K. As discussed in our annual report, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of our financial statements include a goodwill assessment, estimates as to the realizability of accounts receivable and inventory assets, as well as estimates used in the determination of liabilities related to customer rebates, pension obligations, postretirement benefits, warranty, product liability, group health insurance, litigation and taxation. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and, in some instances, actuarial techniques. The Company re-evaluates these significant factors as facts and circumstances change.

NEW ACCOUNTING PRONOUNCEMENTS

A discussion of new accounting pronouncements is included in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q under the heading New Accounting Pronouncements and incorporated herein by reference.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. The words anticipate , believe , could , estimate , expect , forecast , intend , may plan , project , seek , think , will , and similar expressions are intended to identify forward-looking statements. The forward-looking statements based on the company s current views and assumptions and involve risks and uncertainties that include, among other things, the ability to successfully forecast demand for our products and appropriately adjust our manufacturing and inventory levels; changes in our operating expenses; changes in interest rates; the effects of weather on the purchasing patterns of consumers and original equipment manufacturers (OEMs); actions of engine manufacturers and OEMs with whom we compete; the seasonal nature of our business; changes in laws and regulations, including environmental, tax, pension funding and accounting standards; the ability of ourselves and our customers to secure adequate working capital funding and meet related covenants; work stoppages or other consequences of any deterioration in our employee relations; work stoppages by other unions that affect the ability of suppliers or customers to manufacture; acts of war or terrorism that may disrupt our business operations or those of our customers and suppliers; changes in customer and OEM demand; changes in prices of raw materials and parts that we purchase; changes in domestic economic conditions, including housing starts and consumer confidence; changes in the market value of the assets in our defined benefit pension plan and any related funding requirements; changes in foreign economic conditions, including currency rate fluctuations; the actions of customers of our OEM customers; the ability to bring new productive capacity on line efficiently and with good quality; the ability to successfully realize the maximum market value of assets that may require disposal if products or production methods change; new facts that come to light in the future course of litigation proceedings which could affect our assessment of those matters; and other factors that may be disclosed from time to time in our SEC filings or otherwise, including the factors discussed in Item 1A, Risk Factors, of the company s Annual Report on Form 10-K and in its periodic reports on Form 10-Q. Some or all of the factors may be beyond our control. We caution you that any forward-looking statement reflects only our belief at the time the statement is made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since the August 27, 2009, filing of the Company s Annual Report on Form 10-K.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has not been any change in the Company s internal control over financial reporting during the second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A discussion of legal proceedings is included in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q under the heading Commitments and Contingencies and incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes since the August 27, 2009, filing of the Company s Annual Report on Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on October 21, 2009. Information on the matters voted upon and the votes cast with respect to each matter was previously reported in the Company s Quarterly Report on Form 10-Q for the quarter ended September 27, 2009 filed on November 4, 2009.

ITEM 6. EXHIBITS

Exhibit Number	Description
4.1	Amendment to Rights Agreement, dated as of October 13, 2009 (Filed as Exhibit 4.2 to Amendment No. 3 to the Registration Statement on Form 8-A/A of the Company dated as of October 13, 2009 and incorporated herein by reference)
4.2	Amendment to Rights Agreement, effective October 22, 2009 (Filed as Exhibit 4.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 27, 2009 and incorporated herein by reference)
10.1	Amended and Restated Briggs & Stratton Corporation Incentive Compensation Plan Agreement (Filed as Exhibit 10.1 to the Company s Report on Form 8-K dated October 21, 2009 and incorporated herein by reference)
10.2	Amended and Restated Form of Change of Control Employment Agreement for new officers of the Company (Filed as Exhibit 10.1 to the Company s Report on Form 8-K dated October 14, 2009 and incorporated herein by reference)

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

10.3	Amendment to the Briggs & Stratton Corporation Key Employee Savings and Investment Plan, adopted by the Board of Directors on October 21, 2009 (Filed as Exhibit 10.15 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 27, 2009 and incorporated herein by reference)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGGS & STRATTON CORPORATION
(Registrant)

Date: February 3, 2010

/s/ James E. Brenn
James E. Brenn
Senior Vice President and Chief Financial Officer and

Duly Authorized Officer

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Description
4.1	Amendment to Rights Agreement, dated as of October 13, 2009 (Filed as Exhibit 4.2 to Amendment No. 3 to the Registration Statement on Form 8-A/A of the Company dated as of October 13, 2009 and incorporated herein by reference)
4.2	Amendment to Rights Agreement, effective October 22, 2009 (Filed as Exhibit 4.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 27, 2009 and incorporated herein by reference)
10.1	Amended and Restated Briggs & Stratton Corporation Incentive Compensation Plan Agreement (Filed as Exhibit 10.1 to the Company s Report on Form 8-K dated October 21, 2009 and incorporated herein by reference)
10.2	Amended and Restated Form of Change of Control Employment Agreement for new officers of the Company (Filed as Exhibit 10.1 to the Company s Report on Form 8-K dated October 14, 2009 and incorporated herein by reference)
10.3	Amendment to the Briggs & Stratton Corporation Key Employee Savings and Investment Plan, adopted by the Board of Directors on October 21, 2009 (Filed as Exhibit 10.15 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 27, 2009 and incorporated herein by reference)
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