Ryerson Holding Corp
Form DEF 14A
April 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a -101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Ryerson Holding Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(1) Amount previously paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

227 W. Monroe St., 27th Floor

Chicago, Illinois 60606

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Wednesday, June 10, 2015 11:00 a.m., Central Daylight Time

Fairmont Chicago, Millennium Park

200 North Columbus Drive

Chicago, Illinois 60601

April 30, 2015

To our Stockholders:

You are cordially invited to the 2015 annual meeting of stockholders of Ryerson Holding Corporation, scheduled to be held on Wednesday, June 10, 2015, at 11:00 a.m., at the Fairmont Chicago, Millennium Park, 200 North Columbus Drive, Chicago, Illinois 60601. At the meeting, we will consider:

The election of two directors;

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015;

The adoption, on a non-binding, advisory basis, of a resolution approving the compensation of our named executive officers described under the heading “Executive Compensation” in our proxy statement;

The selection, on a non-binding, advisory basis, of the frequency of the stockholder vote on the compensation of our named executive officers; and

Such other business as may properly come before the meeting.

Stockholders who owned shares of our stock at the close of business on April 20, 2015 can vote on these proposals.

Your vote is important regardless of the number of shares of stock you own. W**hether you plan to attend or not, please review our proxy materials and request a proxy card to sign, date and return or submit your voting instructions by telephone or through the Internet.** Instructions for each type of voting are included in the Notice of Internet Availability of Proxy Materials that you received and in this proxy statement. If you plan to attend the meeting and prefer to vote at that time, you may do so. If you hold your shares through a broker, bank, or other institution, please be sure to follow the voting instructions that you receive from the holder. The holder will not be able to vote your shares on any of the proposals except the appointment of Ernst & Young LLP unless you have provided voting instructions.

Mark S. Silver

Vice President, Managing Counsel & Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JUNE 10, 2015: THIS PROXY STATEMENT AND THE ANNUAL REPORT ARE AVAILABLE AT *http://www.proxyvote.com.*

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RYERSON HOLDING CORPORATION

Ryerson Holding Corporation ("Ryerson," the "Company," "we," "us" or "our") is furnishing this proxy statement to the holde of our common stock in connection with the solicitation of proxies on behalf of our board of directors (the "Board") for use at our 2015 annual meeting of stockholders, which will be held on Wednesday, June 10, 2015, at the Fairmont Chicago, Millennium Park, 200 North Columbus Drive, Chicago, Illinois 60601.

Our common stock trades on the New York Stock Exchange ("NYSE") under the ticker symbol 'RYI'. The Company's fiscal year ends on December 31 of each calendar year. Our corporate headquarters is located at 227 W. Monroe St., 27th Floor, Chicago, Illinois 60606, and our website address is *www.ryerson.com*. Please note that the information on our website is not, and shall not be deemed to be, a part of this proxy statement nor, by reference or otherwise (except to the extent we specifically incorporate it by reference), incorporated into any other filings we make with the Securities and Exchange Commission ("SEC").

On August 13, 2014, we completed an initial public offering of 11 million shares of our common stock (the "IPO"). Prior to that time, all of our common stock was held by affiliates of Platinum Equity, LLC (together with such affiliates, "Platinum"), which still own approximately 66% of Ryerson's common stock. For additional information regarding Platinum's ownership, see below under "Ownership of More Than 5% of Ryerson Stock," on page 36.

As the context requires, "Ryerson," the "Company," "we," "us" or "our" may also include the direct and indirect subsidiaries o Ryerson Holding Corporation.

ANNUAL MEETING INFORMATION

This proxy statement contains information we must provide to you under the rules of the SEC and the NYSE in connection with the solicitation of proxies by our Board for the 2015 annual meeting of stockholders. It is designed to assist you in voting your shares of our stock. We will begin mailing notice of the availability of these proxy materials on or about April 30, 2015.

Who May Vote?

You may vote if you were the holder of record of shares of our common stock at the close of business on April 20, 2015. You are entitled to one vote on each matter presented at the 2015 annual meeting of stockholders for each share

of our stock you owned at that time. If you held stock at that time in “street name” through a broker, bank or other institution, you must either provide voting instructions to the holder or obtain a proxy, executed in your favor, from the holder to be able to vote those shares at the meeting.

Each share of Ryerson common stock is entitled to one vote. As of the close of business on April 20, 2015 (the record date for determining stockholders entitled to vote at the meeting), we had 32,037,500 shares of common stock outstanding and entitled to vote.

Who May Attend the Meeting?

You are entitled to attend our 2015 annual meeting if you were the holder of record of shares of our common stock at the close of business on April 20, 2015 or if you hold a valid proxy for the annual meeting. You should be prepared to present photo identification (a driver’s license or passport is preferred) for admittance. In addition, if you are a stockholder of record, your name is subject to verification against the list of stockholders of record on the record date prior to being admitted to the meeting. If you are not a stockholder of record but hold shares through a broker, bank or other nominee (i.e., in “street name”), you also may attend our 2015 annual meeting if you provide proof of beneficial ownership on the record date, such as your most recent account statement or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the meeting.

The meeting will occur at the Fairmont Chicago, Millennium Park, 200 North Columbus Drive, Chicago, Illinois 60601 and will begin promptly at 11:00 a.m., Central Daylight Time, and you should allow ample time for check-in procedures. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted into the meeting or adjacent areas. All other items may be subject to search.

What Am I Voting On?

You are voting on:

- The election of two directors;
- The appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015;
- The adoption, on a non-binding, advisory basis, of a resolution approving the compensation of our named executive officers described under the heading "Executive Compensation" in our proxy statement;
- The selection, on a non-binding, advisory basis, of the frequency of the stockholder vote on the compensation of our named executive officers; and
- Such other business as may properly come before the meeting.

How Do I Vote?

If your shares of stock are registered directly in your name, you are considered a stockholder of record and you will receive your Notice of Internet Availability of Proxy Materials directly from us. Stockholders of record can vote in advance of our annual meeting by requesting a proxy card to sign, date and return or by submitting voting instructions by telephone or through the Internet. Please see the Notice of Internet Availability of Proxy Materials you received or this proxy statement for specific instructions on how to cast your vote by any of these methods. You may obtain directions to the location of our 2015 annual meeting by contacting us at Investor Relations, Attention: Head of Communications, 227 W. Monroe St., 27th Floor, Chicago, Illinois 60606, email: *investorinfo@ryerson.com*, or telephone: 312-292-5052.

If you hold your shares of stock through a broker, bank or other institution, you are considered the beneficial owner of stock held in "street name" and you will receive your notice from your broker, bank or other institution.

Stockholders of Record

For stockholders of record, voting instructions submitted via mail, telephone or the Internet must be received by Broadridge, our independent tabulator, by 11:59 p.m. Eastern Time on June 9, 2015. Submitting your voting instructions prior to the annual meeting will not affect your right to vote in person should you decide to attend the meeting.

Stockholders of record can vote by:

- Requesting and returning a completed proxy card by mail to our independent tabulator, Broadridge, by 11:59 p.m. Eastern Time on June 9, 2015;
- Submitting voting instructions via the Internet or telephone by 11:59 p.m. Eastern Time on June 9, 2015; or
- Completing a ballot and returning it to the inspector of election during the annual meeting.

Instructions and contact information for each of these voting options can be found in our Notice of Internet Availability of Proxy Materials.

The Internet and telephone voting procedures available to you are designed to authenticate stockholders' identities, to allow stockholders to submit voting instructions and to confirm that stockholders' voting instructions have been recorded properly. We have been advised that the Internet and telephone voting procedures are consistent with the requirements of applicable law. Stockholders voting via the Internet or telephone should understand that there may be costs associated with voting in this manner, such as usage charges from Internet access providers and telephone companies, which must be borne by the stockholder.

Stock Held in Street Name

If you hold your stock in street name, you can vote by submitting a voting instruction card to your broker, bank or other institution that sent your Notice of Internet Availability of Proxy Materials to you in accordance with their procedures. Please note that if you hold your stock in street name, the broker, bank or other institution that holds the stock will not be able to vote your shares on any proposal other than the appointment of Ernst & Young LLP unless you have provided voting instructions. If you hold your stock in street name and wish to vote at the meeting, you must obtain a proxy, executed in your favor, from the holder of record of the stock as of the record date.

What If I Do Not Provide Voting Instructions?

If you submit a valid proxy card, or validly submit voting instructions via the telephone or Internet, but you do not indicate your vote, your shares of stock will be voted for:

- The election of two directors;
- The appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015;
- The adoption, on a non-binding, advisory basis, of a resolution approving the compensation of our named executive officers described under the heading “Executive Compensation” in our proxy statement; and
- A non-binding, advisory vote to approve the compensation of our named executive officers to be held every THREE years.

You also give the proxies discretionary authority to vote on any other business that may properly be presented at the meeting.

Can I Revoke or Change My Vote?

If you are a stockholder of record, you may revoke or change your proxy and voting instructions at any time prior to the vote at the annual meeting. To do so:

Submit a new proxy card or voting instructions to the independent tabulator by mail, telephone or through the Internet by 11:59 p.m. Eastern Time on June 9, 2015; or

Attend the annual meeting and vote in person by ballot.

If you hold your stock in street name, you may revoke or change your proxy instructions prior to the vote at the annual meeting by submitting new voting instructions to your broker, bank or other institution in accordance with their procedures.

Who Are the Proxies and What Do They Do?

When you vote in advance of the annual meeting, you appoint Mr. Mark S. Silver, our Vice President, Managing Counsel & Secretary, and Mr. Hans J. Weinburger, our Senior Counsel & Assistant Secretary, as proxies, each with the power to appoint a substitute. You direct them to vote all of the shares of stock you held on the record date at the annual meeting and at any adjournment or postponement of that meeting. If you submit a valid proxy card or validly submit voting instructions via the telephone or Internet, and you do not subsequently revoke your proxy or vote, the individuals named on the card, as your proxies, will vote your shares of stock in accordance with your instructions. If you submit a valid proxy card or voting instructions but you do not indicate your vote, your shares of stock will be voted as described above under “What If I Do Not Provide Voting Instructions?” on page 3.

Is My Vote Confidential?

We have a confidential voting policy. Stockholders’ votes will not be disclosed to us other than in limited situations. The independent tabulator will collect, tabulate and retain all proxies and will forward any comments written on the proxy cards or otherwise received by the independent tabulator to management. Our confidential voting policy will not apply in the event of a contested solicitation.

What Is the Quorum Requirement for the Annual Meeting?

A quorum is necessary to hold a valid meeting. A quorum will exist if stockholders holding a majority of the shares of stock issued and outstanding and entitled to vote at the meeting are present in person or represented by proxy.

How Are Abstentions, Withheld Votes and Broker Non-Votes Treated?

The election inspector will treat abstentions, withholds and "broker non-votes" as shares of stock that are present and entitled to vote for purposes of determining the presence of a quorum. A "broker non-vote" occurs when a broker holding stock for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Brokers will have discretionary voting power with respect to proposal two (the appointment of Ernst & Young LLP), but not with respect to any other proposal. Abstentions and broker non-votes do not count as votes cast either for or against any of the proposals. A "withhold" vote with respect to any director nominee will have the effect of a vote against such nominee.

What Vote Is Required to Approve a Proposal?

Proposal One: A nominee will be elected to the Board if the number of votes cast "for" his or her election exceeds the number of votes "withheld" from or cast "against" his or her election.

Proposal Two: The appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015 will be approved if holders of a majority of the stock present in person at the meeting or represented by proxy vote in favor of the proposal.

Proposal Three: The resolution approving the compensation of our named executive officers described under the heading "Executive Compensation" in our proxy statement will be approved on a non-binding, advisory basis, if holders of a majority of the stock present in person at the meeting or represented by proxy vote in favor of the proposal.

Proposal Four: A plurality of the affirmative votes cast will select, on a non-binding, advisory basis the frequency of the stockholder vote on the compensation of our named executive officers. We will consider stockholders to have expressed a non-binding preference for the frequency that receives the highest number of favorable votes.

Who Solicits Proxies and How Are They Paid?

The proxy accompanying this proxy statement is solicited on behalf of our Board, for use at the annual meeting, and Ryerson pays the expenses of soliciting the proxies. In addition to this solicitation by mail, our directors, officers and other employees may contact you by personal interview, telephone, electronic mail, facsimile, telephone, Internet, or otherwise to obtain your proxy. These persons will not receive any additional compensation for these activities. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward solicitation material to the beneficial owners of stock. We will reimburse these entities and our transfer agent for their reasonable out-of-pocket expenses in forwarding proxy material. We have not retained the services of a proxy solicitor.

How Do You Determine Whether I Get One or More Paper Copies of the Proxy Materials?

To reduce the costs of printing and distributing proxy materials we are taking advantage of the SEC rule that allows companies to furnish their proxy materials over the Internet. As a result, we send many stockholders a notice regarding the Internet availability of the proxy materials instead of a paper copy of our proxy materials. This notice explains how you can access the proxy materials over the Internet and also describes how to request to receive a paper copy of the proxy materials. If you have requested paper copies of the proxy materials, you may have received one copy of our proxy statement, annual report or Notice of Internet Availability of Proxy Materials for multiple stockholders in your household. This is because we and some brokers, banks and other record holders participate in the practice of “householding” proxy statements, annual reports and Notices of Internet Availability of Proxy Materials and deliver only one copy to stockholders at one address unless we or they receive other instructions from you.

If these materials were delivered to an address that you share with another stockholder, we will promptly deliver a separate copy if you make a written or verbal request to Ryerson Holding Corporation, Investor Relations, Attention: Head of Communications, 227 W. Monroe St., 27th Floor, Chicago, Illinois 60606, email: *investorinfo@ryerson.com*, or telephone: 312-292-5052.

If you are receiving multiple copies and would like to receive only one copy for your household, you may make such request as follows:

- If you are a stockholder of record, by contacting Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717 or call Broadridge toll free: 1-866-540-7095; and
- If you are a beneficial owner of stock, by contacting your broker, bank or other record holder.

The Company's proxy materials are also available at *ir.ryerson.com*.

ITEMS YOU MAY VOTE ON

1. Election of Directors

Our Board presently consists of six directors, two of whom are independent under the NYSE Listed Company Manual and other NYSE rules and requirements (together, "NYSE rules"), and four of whom are affiliated with Platinum Equity, LLC and its affiliated investment funds, which together own a majority of our outstanding common stock. Because Platinum owns more than 50% of the voting power of our common stock, we are considered to be a "controlled company" for purposes of the NYSE rules. As such, we are permitted, and have elected, to opt out of the NYSE rules that would otherwise require our Board to be comprised of a majority of independent directors.

The Board is divided into three separate classes, with one class being elected each year to serve a staggered three-year term. The terms of the Class I Directors expire at the 2015 annual meeting, and two directors will be elected at the annual meeting to serve as Class I Directors for a three-year term expiring at the annual meeting in 2018 or until their successors are duly elected and qualified.

For the 2015 annual meeting, the Board has proposed the following nominees for election: Eva M. Kalawski and Mary Ann Sigler.

Detailed information on each nominee and continuing director is provided below under “Biographies” on page 9. If you submit valid voting instructions, the proxies will vote your shares of stock for the election of each of the nominees, unless you indicate that you wish to vote against a nominee or withhold your vote on a nominee. If at the time of the annual meeting any of the nominees is unable or declines to serve, the persons named in the proxy will, at the direction of the Board, either vote for the substitute nominee or nominees that the Board recommends or the Board may reduce the number of directors to be elected at the meeting. The Board has no reason to believe that any nominee will be unable or will decline to serve as a director if elected.

Under our Bylaws, our directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. In an uncontested election, a director is elected if the votes cast “for” the director’s election exceed the votes “withheld” from or cast “against” the director’s election.

Our Board of Directors unanimously recommends a vote “FOR” the election of Eva M. Kalawski

and Mary Ann Sigler to serve as directors of the Company.

2. Ratification of the Appointment of Independent Registered Public Accounting Firm

Our Audit Committee has selected Ernst & Young LLP to serve as our independent registered public accounting firm for 2015. Ernst & Young LLP has served as the independent registered public accounting firm for the Company since 2006. Representatives of Ernst & Young LLP will be present at the annual meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

The Audit Committee is responsible for recommending, for stockholder approval, our independent registered public accounting firm. Should stockholders fail to approve the appointment of Ernst & Young LLP, the Audit Committee

would undertake the task of reviewing the appointment. Nevertheless, given the difficulty and expense of changing independent accountants mid-way through the year, there is no assurance that a firm other than Ernst & Young LLP could be secured to deliver any or all of the Company's independent auditing services required in 2015. The Audit Committee, however, would take the lack of stockholder approval into account when recommending an independent registered public accounting firm for 2016.

The following table sets out the various fees for services provided by Ernst & Young LLP for 2014 and 2013. The Audit Committee pre-approved all of these services. For additional information, see the description of the pre-approval policies and procedures of the Audit Committee under "Pre-approval Policies," below on page 16.

Annual Fees for 2014 and 2013

	Amounts	
Description	**2014**	**2013**
Audit Fees(1)	$3,299,337	$3,073,734
Audit Related Fees(2)	$1,995	$1,995
Tax Fees(3)	$1,078,743	$193,837
Other Fees (4)	—	—
Total	$4,380,075	$3,269,566

(1) Audit fees relate to professional services rendered in conjunction with the audit of our annual financial statements, the review of our quarterly financial statements, the filing of our registration on Form S-1 in connection with the IPO, and the audit of our statutory filings and other services pertaining to SEC matters.

(2) Audit-related fees relate to professional services that are reasonably related to the performance of the audit or review of the Company's financial statements, including compliance-related matters, which are not specifically classified as audit fees. Such fees for 2014 and 2013 related to subscription fees for the audit firm's online research tool.

(3) Tax fees relate to professional services performed by the independent auditor's tax personnel and not included in audit fees or audit related fees, such as services related to tax audits, tax compliance, and tax consulting and planning services. Tax fees for 2014 primarily related to tax consulting and planning services related to international corporate structuring, transfer pricing relative to service charges from our U.S. operations to our Canadian subsidiary and determining the tax deductibility of certain costs associated with the IPO. Tax fees for 2013 related to tax assistance with respect to loans between certain of our foreign subsidiaries, transfer pricing relative to service charges from our U.S. operations to our Canadian subsidiary and tax assistance with the Company's response to Internal Revenue Service information document requests.

(4) For 2014 and 2013, there were no fees billed by Ernst & Young LLP for services provided other than those described in the three preceding footnotes.

Ernst & Young LLP's full-time, permanent employees conducted a majority of the audit of Company's 2014 financial statements. Leased personnel were not employed with respect to the domestic audit engagement.

Our Board of Directors unanimously recommends a vote "FOR" the ratification of the appointment of

Ernst & Young LLP as our independent registered public accounting firm for 2015.

3. Non-Binding, Advisory Vote on the Compensation of Our Named Executive Officers

Under Section 14A of the Securities Exchange Act of 1934 ("Section 14A"), the Company has included this proposal pursuant to which stockholders are able to vote to approve, on an advisory (non-binding) basis no less frequently than once every three years, the compensation of the named executive officers (the "Say on Pay Vote").

Stockholders are urged to read the "Executive Compensation" section of this proxy statement, beginning on page 20, which discusses how our executive compensation policies and procedures implement our compensation philosophy and contains tabular information and narrative discussion about the compensation of our named executive officers. The Compensation Committee and the Board believe that these policies and procedures are effective in implementing our compensation philosophy and in achieving our goals.

As an advisory vote, this proposal is not binding. However, our Board and Compensation Committee, which is responsible for designing and administering our executive compensation program, value the opinions expressed by stockholders in their vote on this proposal, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

Based on the above, we request that you indicate your support for our executive compensation practices by voting in favor of the following resolution:

“Resolved, that the Company’s stockholders approve the compensation of the Company’s named executive officers as described in this Proxy Statement in the “Executive Compensation” section, including the Compensation Discussion and Analysis and the related compensation tables and narrative.”

Our Board of Directors unanimously recommends a vote “FOR” the adoption, on a non-binding, advisory basis, of the resolution approving the compensation of our named executive officers described under

the heading “Executive Compensation” in our proxy statement.

4. Non-Binding, Advisory Vote on the Frequency of the Stockholder Vote on Executive Compensation

Section 14A also provides that we include in this proxy statement a separate, non-binding stockholder vote to advise on whether the Say-on-Pay Vote should occur every one, two or three years. Stockholders have the option to vote for any one of the three options, or to abstain on the matter.

The Board has determined that an advisory vote on executive compensation every three years is the best approach for the Company based on a number of considerations, including the following:

An advisory vote every three years would give the Board sufficient time to thoughtfully consider the results of the vote and to implement any desired changes to executive compensation policies and procedures; and

A three-year cycle would provide investors sufficient time to evaluate the effectiveness of the short- and long-term compensation strategies and related business outcomes of the Company. We believe a short review cycle will not allow for a meaningful evaluation of our performance against our compensation practices, as any adjustment in pay practices would take time to implement and to be reflected in our financial performance and in the price of our common stock.

The stockholders also have the opportunity to provide additional feedback on important matters involving executive compensation even in years when a Say-on-Pay Vote does not occur. As discussed under "Communications with Directors" on page 14, the Company provides stockholders an opportunity to communicate directly with the Board on any issue, including executive compensation.

You may indicate your preferred voting frequency by voting for the option of three years, two years, or one year, or you may abstain from voting. We will consider stockholders to have expressed a non-binding preference for the frequency that receives the highest number of favorable votes.

Although this preference is non-binding in nature, our Board and Compensation Committee, which is responsible for designing and administering our executive compensation program, value the opinions expressed by stockholders in their vote on this proposal, and will consider the stockholders' preference in determining the frequency of future votes on compensation program for our named executive officers. However, the Board may decide that it is in the best interests of our stockholders and the Company to hold a non-binding, advisory Say on Pay Vote more or less frequently than the option preferred by our stockholders.

The Board of Directors unanimously recommends that a non-binding, advisory vote to approve the compensation of our named executive officers be held every THREE years.

5. Such Other Business as May Properly Come before the Annual Meeting

We do not know of any other matters to be voted on at the meeting. If, however, other matters are properly presented for a vote at the meeting, the persons named as proxies will vote your properly submitted proxy according to their judgment on those matters.

BOARD OF DIRECTORS

Composition of Board of Directors

Our Amended and Restated Certificate of Incorporation and Bylaws provide that the authorized number of directors shall be fixed from time to time by a resolution of the majority of our Board. Our Board is currently comprised of the following six members: Kirk K. Calhoun, Eva M. Kalawski, Jacob Kotzubei, Stephen P. Larson, Philip E. Norment and Mary Ann Sigler.

In connection with the IPO, the Company and Platinum entered into an amended and restated investor rights agreement (the "Investor Rights Agreement") in August 2014 that provided, among other things, that for so long as Platinum collectively beneficially owns (i) at least 30% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate for election to the Board no fewer than that number of directors that would constitute a majority of the number of directors if there were no vacancies on the Board, (ii) at least 15% but less than 30% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate two directors and (iii) at least 5% but less than 15% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate one director. The agreement also provides that if the size of the Board is increased or decreased at any time, Platinum's nomination rights will be proportionately increased or decreased, respectively, rounded up to the nearest whole number.

Our Corporate Governance Guidelines provide that if an officer serving on our Board resigns or retires from his or her executive position with the Company or if a non-management director's external job changes from the time such director was last elected, such individual shall offer his or her resignation from the Board at the same time; however, whether or not the individual shall continue to serve on the Board is a matter for determination on a case-by-case basis by the Board.

Term and Classes of Directors

Our Board is divided into three staggered classes of directors of the same or nearly the same number. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon election and qualification of successor directors at the annual meeting of Stockholders to be held during the years 2015 for the Class I directors, 2016 for the Class II directors and 2017 for the Class III directors.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class shall consist of one-third of the directors. The following table sets forth information as of the date of this proxy statement regarding the nominees for directors and other directors who will serve as directors in the classes and for the terms specified below:

Name	**Age**	**Independent (Yes/No)**	**Director Since**	**Expiration of Current Term**
Nominees for Director				
Class I				
Eva M. Kalawski	59	No	2007	2015*
Mary Ann Sigler	60	No	2010	2015*
Continuing Directors				
Class II				
Stephen P. Larson	58	Yes	2014	2016
Philip E. Norment	55	No	2014	2016
Class III				
Kirk K. Calhoun	71	Yes	2014	2017
Jacob Kotzubei	46	No	2010	2017

*Current term expires at this Annual Meeting

Biographies

Additional information regarding the nominees and continuing directors is set forth below and is based on information furnished to us by the nominees and directors:

Nominees for Director

The Board has nominated Mses. Kalawski and Sigler for election at the 2015 annual meeting, each to hold office until the annual meeting of stockholders in 2018 (subject to the election and qualification of their successors or the earlier of their death, resignation or removal). Each is currently a director.

Eva M. Kalawski has been a director since October 2007. Ms. Kalawski joined Platinum in 1997, is a Partner at Platinum and serves as the firm's General Counsel and Secretary. Ms. Kalawski serves or has served as an officer and/or director of many of Platinum's portfolio companies. Prior to joining Platinum in 1997, Ms. Kalawski was Vice President of Human Resources, General Counsel and Secretary for Pilot Software, Inc. Ms. Kalawski earned a Bachelor's Degree in Political Science and French from Mount Holyoke College and a Juris Doctor from Georgetown University Law Center. Ms. Kalawski's expertise and experience managing the legal operations of many portfolio companies has led the Board to conclude that she has the background and skills necessary to serve as a director of the Company.

Mary Ann Sigler has been a director since January 2010. Ms. Sigler serves Platinum's Chief Financial Officer and Chief Compliance Officer. Ms. Sigler joined Platinum in 2004 and is responsible for overall accounting, tax, and financial reporting as well as managing strategic planning projects for the firm. Prior to joining Platinum, Ms. Sigler was with Ernst & Young LLP for 25 years where she was a partner. Ms. Sigler has a B.A. in Accounting from California State University Fullerton and a Masters in Business Taxation from the University of Southern California. Ms. Sigler is a Certified Public Accountant in California, as well as a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Ms. Sigler's experience in accounting and strategic planning matters has led the Board to conclude that she has the requisite qualifications to serve as a director of the Company and facilitate its continued growth.

Continuing Directors

Messrs. Calhoun, Kotzubei, Larson and Norment will remain directors after the annual meeting.

Kirk K. Calhoun has been a director since August 2014. Mr. Calhoun joined the public accounting firm Ernst & Young LLP in 1965 and served as a partner of the firm from 1975 until his retirement in 2002. Mr. Calhoun has a B.S. in Accounting from the University of Southern California and is a Certified Public Accountant (non-practicing) in California. He is currently lead director of the board of directors of Response Genetics, Inc. Previously Mr. Calhoun served on the boards of five public companies up until the dates of their respective sales, including Abraxis Bioscience, Inc., Myogen, Inc., Aspreva Pharmaceutical Corporation, Adams Respiratory Therapeutics, Inc., and Replidyne, Inc. Mr. Calhoun's experience serving on public company audit committees and boards of directors and his past work as a partner with Ernst & Young LLP has led the Board to conclude that Mr. Calhoun has the requisite expertise to serve as a director of the Company and qualifies as a financial expert for audit committee purposes.

Jacob Kotzubei has been a director since January 2010. Mr. Kotzubei joined Platinum in 2002 and is a Partner at the firm. Mr. Kotzubei serves as an officer and/or director of a number of Platinum's portfolio companies. Prior to joining Platinum in 2002, Mr. Kotzubei worked for 4½ years for Goldman Sachs' Investment Banking Division in New York City. Previously, he was an attorney at Sullivan & Cromwell LLP in New York City, specializing in mergers and acquisitions. Mr. Kotzubei received a Bachelor's degree from Wesleyan University and holds a Juris Doctor from Columbia University School of Law where he was elected a member of the Columbia Law Review. Since 2011, Mr. Kotzubei has been a director of KEMET Corporation, a leading global supplier of electronic components. Mr. Kotzubei's experience in executive management oversight, private equity, capital markets and transactional matters has led the Board to conclude that he has the varied expertise necessary to serve as a director of the Company.

Stephen P. Larson has been a director since October 2014. Mr. Larson completed a 35-year career with Caterpillar Inc. in 2014 after holding multiple positions in the areas of accounting, finance, marketing and logistics. Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. His senior leadership positions for Caterpillar

included roles as Product Manager; Regional Manager for Canada and the Eastern United States; Vice President, Caterpillar Financial Services Asia Pacific; Caterpillar Logistics President-Americas region; and from 2007 until his retirement, Vice President, Caterpillar Inc. and President and Chairman of Caterpillar Logistics, a wholly owned subsidiary of Caterpillar Inc. Mr. Larson previously served for six years as a Commissioner on the board of the Metropolitan Airport Authority of Peoria, Illinois. Mr. Larson's experience in accounting, finance and other areas for a large international manufacturer has led the Board to conclude that he has the background and skills necessary to serve as a director of the Company.

Philip E. Norment has been a director since May 2014. Mr. Norment is a Partner at Platinum, is a member of Platinum's Investment Committee and is a senior advisor on specific operational initiatives throughout the portfolio. He is also the senior operations executive responsible for evaluating acquisition opportunities and integrating new acquisitions into the portfolio. Prior to joining Platinum in 1997, Mr. Norment served in a variety of management positions at Pilot Software. Over the course of 12 years, he worked in the areas of global support, operations, consultative services and sales support, achieving the position of Chief Operating Officer. Mr. Norment earned a Bachelor's degree in Economics and an MBA from the University of Massachusetts, Amherst. Mr. Norment's experience in executive management oversight, private equity, and transactional matters has led the Board to conclude that he has the varied expertise necessary to serve as a director of the Company.

Director Independence

As stated above, because Platinum owns more than 50% of the voting power of our common stock, we are considered to be a "controlled company" for purposes of the NYSE rules. As such, we are permitted, and have elected, to opt out of the NYSE rules that would otherwise require our Board to be comprised of a majority of independent directors and require our compensation committee and nominating and corporate governance committee to be comprised entirely of independent directors.

For a director to be considered independent under the NYSE rules, our Board must determine that he or she does not have any material relationship with the Company. To assist in making this determination, our Board adopted a policy on director independence based on the NYSE's independence standards.

Under our policy on director independence, a director will be considered independent only if the Board has affirmatively determined that the director has no material relationship with the Company that would impair his or her independent judgment. In the process of making such determinations, the Board will consider the nature, extent and materiality of the director's relationships with the Company. When assessing the materiality of a director's relationship with the Company, the Board should consider the issue not only from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. The Board will consider all relevant facts and

circumstances in rendering its "independence" determinations. Material relationships can include commercial, banking, consulting, legal, accounting, charitable and familial relationships, among others. In addition, a director will not be deemed "independent" for purposes of service on the Board if such director:

1. is, or has been within the last three years, an employee of the Company, or an immediate family member of such director is, or has been within the last three years, an executive officer, of the Company;

2. has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

3. (A) is a current partner or employee of a firm that is the Company's internal or external auditor; (B) has an immediate family member who is a current partner of such a firm; (C) has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) was, or has an immediate family member who was, within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

4. is, or an immediate family member of such director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; or

5. is a current employee, or has an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount

which, in any of the last three fiscal years, exceeds the greater of $1,000,000, or 2% of such other company's consolidated gross revenues.

For purposes of the Company's policy on director independence, "immediate family member" means any of the person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares the person's home.

The Board has determined that of the nominees and continuing directors, only Messrs. Calhoun and Larson are, or during 2014 were, independent within the meaning of the NYSE rules or our policy on director independence.

As stated above, our Board of Directors unanimously recommends a vote "FOR" the election of the Board's nominees identified above.

CORPORATE GOVERNANCE MATTERS

Our policies and practices reflect corporate governance standards that comply with the NYSE rules and the corporate governance requirements of the Sarbanes-Oxley Act, including:

Our Board adopted clear corporate governance policies, including standards for determining director independence;

Our Board committee charters clearly establish their respective roles and responsibilities;

Our non-management directors meet regularly in executive session without management present;

We have a code of ethics and business conduct that applies to all Ryerson directors, officers and associates;

Our Chief Executive Officer ("CEO"), Chief Financial Officer, and other senior financial officers are subject to an additional code of ethics to promote (i) honest and ethical conduct; (ii) full, fair, accurate, timely and understandable disclosure in SEC filings; and (iii) compliance with applicable laws, rules and regulations;

Our internal audit function maintains critical oversight over the key areas of our business, compliance processes and controls, and reports regularly to the Audit Committee;

We have a compliance hotline service that permits employees to report violations of our code of ethics or other issues of significant concern on a confidential basis, via a toll-free telephone number or the internet; and

Concerns related to the Company's financial statements, accounting practices, or internal controls may be communicated in writing to the Company's Audit Committee.

DIRECTOR COMPENSATION

In April 2015, our Board adopted a compensation program for our directors. Under the program, only independent directors are eligible to receive compensation for their service as Board members. The program provides for an annual cash retainer, additional annual cash retainers for committee chairs and fees for meeting attendance, as follows:

Annual retainer	$130,000
Committee chair retainers	
Audit Committee chair	$15,000
Compensation Committee chair	$10,000
Nominating and Corporate Governance Committee chair	$10,000
Meeting Attendance Fees	
Each Board meeting	$2,000
Each committee meeting	$1,500

The program provided for one-time catch-up payments for independent directors' service as Board members prior to the 2015 adoption of the program. Only Messrs. Calhoun and Larson were eligible as independent directors to receive compensation for Board service in 2014. The following table presents information for compensation earned by them for their service as Board members during 2014.

Name	Fees Earned or Paid in Cash	Total
Kirk K. Calhoun(1)	$59,375	$59,375
Stephen P. Larson(2)	$23,668	$23,668

(1) Consists of pro-rated portions of the annual retainer ($48,750) and Audit Committee chair retainer ($5,625) based on the effective date Mr. Calhoun joined the Board (August 13, 2014) and meeting attendance fees.

(2) Consists of a pro-rated portion of the annual retainer ($21,668) based on the effective date Mr. Larson joined the Board (October 31, 2014) and meeting attendance fees.

There is currently no formal policy in place relating to the granting of equity awards to our directors. We reimburse each member of our Board for out-of-pocket expenses incurred by them in connection with attending meetings of the Board and its committees.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

During 2014, our Board met one time. Prior to the IPO, the Board took action several times by unanimous written consent. In addition to the meeting of the full Board, directors also attended meetings of Board committees. Overall, our directors had an attendance rate of over 88%. All of the directors attended at least 75% of the meetings of the Board and the committees on which they served, except that Ms. Sigler attended 4 out of the 6 meetings of the Board and the committees on which she served. While we do not have a formal policy requiring them to do so, we encourage our directors to attend our annual meeting. In 2014, our stockholders conducted all stockholder business by unanimous written consent and did not hold an annual meeting.

The standing committees of the Board (other than the Executive Committee), with the membership indicated, are set forth in the table below. The Board has had an audit committee since prior to the IPO and established the Compensation Committee and Nominating and Corporate Governance Committee in connection with the IPO.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee

Kirk K. Calhoun*	X(C)	X	
Eva M. Kalawski			X
Jacob Kotzubei		X(C)	
Stephen P. Larson*	X		
Philip E. Norment			X
Mary Ann Sigler	X	X	X(C)

* Independent director within the definition under the NYSE rules.

(C) Committee Chair.

EXECUTIVE COMMITTEE

In December 2014, the Board established an Executive Committee in accordance with our Bylaws. The Executive Committee has and may exercise all powers that the Board legally delegates to it. In addition, during the intervals between meetings of the Board, the Executive Committee has and may exercise all of the powers of the Board, other than such powers as are granted to the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee, in the management of the business and affairs of the Corporation, unless otherwise limited by a resolution of the Board, the Company's Amended and Restated Certificate of Incorporation or Bylaws, or applicable law. The Executive Committee is convened when circumstances do not allow the time, or when it is otherwise not practicable, for the entire Board to meet. The Executive Committee consists of Messrs. Kotzubei, Larson and Norment. In 2014, the Executive Committee did not meet.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Our Nominating and Corporate Governance Committee (the “Governance Committee”) considers and oversees all corporate governance issues as they arise and develops appropriate recommendations for the Board regarding those issues. In 2014, the Governance Committee did not meet. It is also responsible for reviewing the requisite skills and characteristics of the members of the Board. The Governance Committee consists of Mr. Norment, Mses. Kalawski and Sigler, none of whom is independent under NYSE rules. Because Platinum owns more than 50% of the voting power of our common stock, we are considered to be a “controlled company” for the purposes of the NYSE rules. As such, we are permitted, and have elected, to opt out of the NYSE rules that would otherwise require our Governance Committee to be comprised entirely of independent directors.

Our Board has adopted a written charter for the Governance Committee, pursuant to which the Governance Committee has, among others, the following responsibilities:

Oversee and assist our Board in identifying, reviewing and recommending nominees for election as directors and for appointment to Board committees;

Review and evaluate the overall effectiveness and functioning of the management and the Board and the compliance of the Board with applicable legal requirements;

Review and evaluate the composition and performance of the other Board committees, and recommend any changes to the composition, size and functions of each committee;

Develop, review and recommend corporate governance guidelines; and

Generally advise our Board on corporate governance and related matters.

Qualifications for Directors

In selecting or recommending candidates to serve as directors, the Governance Committee takes into consideration the following criteria as approved by the Board, and as modified by the Board from time to time, and such other factors as it deems appropriate:

(i) high personal and professional ethics, values and integrity;

(ii) education, skill and experience that the Board deems relevant and useful, including whether such attributes or background would contribute to the diversity of the Board as a whole;

(iii) ability and willingness to serve on any committees of the Board; and

(iv) ability and willingness to commit adequate time to the proper functioning of the Board and its committees.

The Governance Committee will consider all candidates recommended by the Company's stockholders in accordance with the procedures set forth in the Company's annual proxy statement. The Governance Committee may also consider candidates proposed by management. For additional information, see "Stockholder Nominations for Directors," below on page 39.

Governance Guidelines and Committee Charters

We maintain a corporate governance page on our website that includes our Corporate Governance Guidelines, Code of Ethics and Business Conduct and the charters for our Audit, Compensation and Nominating and Corporate Governance Committees. The corporate governance page can be found at *ir.ryerson.com* by clicking on "Governance." Stockholders also may obtain copies of these materials by contacting us at Investor Relations, Attention: Head of Communications, 227 W. Monroe St., 27th Floor, Chicago, Illinois 60606, email: *investorinfo@ryerson.com*, or telephone: 312-292-5052.

Code of Ethics

Our Board has adopted a code of ethics ("Code of Ethics") that contains the ethical principles by which our chief executive officer and chief financial officer, among others, are expected to conduct themselves when carrying out their duties and responsibilities. A copy of the Code of Ethics may be found at the end of our general code of ethics and business conduct, available on our corporate governance webpage located at *ir.ryerson.com*. We will provide a copy of our general code of ethics and business conduct, which includes the Code of Ethics, to any person, without charge, upon request, by writing to the Compliance Officer, Ryerson Holding Corporation, 227 W. Monroe, 27th Floor, Chicago, Illinois 60606 (telephone number: 312-292-5000). We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Ethics by posting such information on Ryerson's website at *www.ryerson.com*.

Communications with Directors

An employee, officer or other interested party who has an interest in communicating with non-management members of the Board may do so by directing the communication to the chief legal officer of the Company. Persons who desire to communicate with the non-management directors should send their correspondence addressed to the attention of the chief legal officer, c/o Ryerson Holding Corporation, 227 W. Monroe, 27th Floor, Chicago, Illinois 60606. The chief legal officer will provide a summary of all appropriate communications to the addressed non-management directors.

BOARD LEADERSHIP STRUCTURE

Under our Bylaws, the Board may appoint one of the directors as Chairman of the Board. The Chairman of the Board may be a management or a non-management director and may or may not be the same individual as our CEO (if our CEO is a director), at the option of the Board. The Board believes it should be free to make this determination depending on what it believes is best for the Company in light of all the circumstances. The Company's CEO is currently not a member of the Board and the Board currently does not have a Chairman of the Board. This leadership structure also allows our CEO to focus his time and energy on operating and managing the Company and leverages the experiences and perspectives of all of the Company's directors.

BOARD OVERSIGHT OF RISK

Our Board as a whole has responsibility for overseeing our risk management. The Board exercises this oversight responsibility directly and through its committees. The Board and its committees are informed by reports from our management team and from our internal audit department that are designed to provide visibility to the Board about the identification and assessment of key risks and our risk mitigation strategies. The full Board oversees strategic and operational risks, and succession planning.

Committee Roles

Prior to the IPO, our Board was responsible to evaluate risk arising from our compensation policies and practices; since that time, the newly formed Compensation Committee has assumed that responsibility. Our Audit Committee's role includes assisting the Board in monitoring the Company's compliance with legal and regulatory requirements as well as its ethical standards and policies. It also oversees our internal audit function. The committees provide reports to the full Board regarding these and other matters.

Internal Audit

Under its charter, the internal audit department is tasked to help the Company accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes. To promote independence of the department and ensure appropriate internal audit coverage, the internal audit director is responsible for leading the department and reports functionally to the Audit Committee, and administratively (*i.e.,* day to day operations) to the chief financial officer. The internal audit services personnel have unrestricted access to all functions, records, property and personnel of the Company, and

full and free access to the Audit Committee. The internal audit department is currently staffed entirely by a third party auditing firm. The internal audit director provides reports to the Audit Committee at each regularly scheduled Audit Committee meeting.

The scope of the department's internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. This includes, among other things:

partnering with other governance and monitoring groups to evaluate risk exposure relating to achievement of the Company's strategic objectives;

monitoring and evaluating the effectiveness of the Company's risk management processes;

performing consulting and advisory services related to governance, risk management and control as appropriate for the Company; and

Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

In addition, the internal audit department is responsible to conduct an annual risk assessment and develop a corresponding annual audit plan using a risk-based approach to monitor and report on the adequacy and effectiveness of the Company's processes for controlling its activities and managing its risks.

AUDIT COMMITTEE

Our Audit Committee oversees a broad range of issues surrounding our accounting and financial reporting processes and audits of our financial statements. In 2014, the Audit Committee met four times. The Audit Committee consists of Messrs. Calhoun and Larson and Ms. Sigler. Both Messrs. Calhoun and Larson are "independent" as such term is defined in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and under the applicable NYSE rules. All of the Audit Committee members are "financially literate," and Mr. Calhoun, the chair of the Audit Committee, is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

In accordance with NYSE rules, we plan to appoint a third independent director to our Board within 12 months of the effective date of the registration statement with respect to our common stock issued in the IPO, and that director will replace Ms. Sigler as a member of the Audit Committee such that at that time all of our Audit Committee members will be "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and applicable NYSE rules.

Our Board has adopted a written charter for the Audit Committee, pursuant to which the Audit Committee has, among others, the following responsibilities:

Review and recommend to the Board the independent auditors to be selected to audit the financial statements;

Inquire as to the independence of the independent auditors and obtain from the independent auditors, on a periodic basis, a formal written statement delineating all relationships between the independent auditors and the Company; in addition, review the extent of non-audit services provided by the independent auditors in relation to the objectivity needed in the independent audit and recommend that the Board take appropriate action in response to the independent auditors' written statement to satisfy the Board as to the independent auditors' independence;

Pre-approve all services provided by the independent auditors to the Company;

Pre-approve appropriate funding for payment of (a) compensation to the Company's independent auditors for preparing or issuing an audit report or performing other audit, review or attest services for the Company, (b) compensation to any advisors employed by the Committee and (c) ordinary administrative expenses necessary or appropriate to carry out its duties;

Ensure proper audit partner rotation;

Meet with the independent auditors and the financial management to review the scope of the audit proposed for the current year and the audit procedures to be utilized and at its conclusion review the audit with the Committee; upon completion of the audit and following each interim review of the Company's financial statements, discuss with the independent auditors all matters required to be communicated to the Committee under generally accepted auditing standards, including the judgments of the independent auditors with respect to the quality, not just the acceptability, of the Company's accounting principles and underlying estimates in the financial statements;

Review with the independent auditors, the internal auditor (if any), and the financial and accounting personnel, the adequacy of the accounting and financial controls and elicits any recommendations for improvement or particular areas where augmented controls are desirable;

Review the internal audit function of the Company including the independence and authority of its reporting obligations, the audit plans proposed for the coming year and the coordination of such plans with the work of the independent auditors;

Receive before each meeting a summary of findings from completed internal audits and a progress report on the proposed internal audit plan with explanations for any deviations from the original plan;

Review the financial statements contained in the annual and quarterly reports with management and the independent auditors;

Review any year-to-year changes in accounting principles or practices;

Provide sufficient opportunity at each meeting for the internal and independent auditors to meet with the Committee without management present; among the items to be discussed in these meetings are the independent auditors' evaluation of the financial, accounting, and auditing personnel, and their cooperation during the audit;

Review with the independent auditors any problems or difficulties the auditors may have encountered, including any disagreements with management;

Review accounting and financial personnel and succession planning;

Investigate any matter brought to its attention within the scope of its duties, with the power to retain professional advice (at the expense of the Company) for this purpose if, in its judgment, that is appropriate; and

Establish, as necessary, detailed pre-approval policies and procedures for engaging audit and non-audit services.

Audit, Audit Related and Other Non-Audit Services

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation for and overseeing the work of Ernst & Young LLP. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by Ernst & Young LLP. For additional information regarding the services provided by Ernst & Young LLP and the fees for such services, see "Ratification of Appointment of Independent Registered Public Accounting Firm," above on page 5.

Pre-approval Policies

The Audit Committee must pre-approve any audit or any permissible non-audit services to be provided by the independent registered public accounting firm. The Audit Committee has established pre-approval policies and procedures. Permissible non-audit services are services allowed under SEC regulations. The Audit Committee may pre-approve certain specific categories of permissible non-audit services up to an annual budgeted dollar limit. If any permissible non-audit services do not fall within a pre-approved category or exceed the approved fees or budgeted amount, the services and the additional fees have to be pre-approved by the Audit Committee on a project-by-project basis. The Audit Committee may delegate to any member of the Committee the duty to pre-approve any payments of compensation to the independent registered public accounting firm, provided that the decisions of such member to grant pre-approvals shall be presented to the full Committee for ratification.

No required pre-approvals were waived or approved after the services commenced. Before approving the non-audit services described under “Tax Fees” under “Ratification of Appointment of Independent Registered Public Accounting Firm,” above on page 5, the Audit Committee reviewed whether the independent registered public accounting firm could provide those services and maintain its independence. The Audit Committee approved 100% of the audit-related and tax fees for 2014 and 2013.

Other Policies

The Audit Committee has adopted policies to ensure the independence of the Company’s independent registered public accounting firm, including policies on employment of audit firm employees and audit partner rotation.

AUDIT COMMITTEE REPORT – FINANCIAL STATEMENTS RECOMMENDATION[1]

Management is responsible for the preparation, presentation and integrity of Ryerson’s consolidated financial statements and the reporting process including Ryerson’s internal controls over financial reporting and their effectiveness. The independent registered public accounting firm of Ernst and Young LLP (“E&Y”) is responsible for performing an independent audit of Ryerson’s consolidated financial statements. The Audit Committee’s responsibility is to monitor and oversee these activities and processes. In this context, the Audit Committee reports as follows:

1. The Audit Committee has reviewed and discussed with management Ryerson’s audited consolidated financial statements as of and for the year ended December 31, 2014 and management has represented that the consolidated financial statements were prepared in accordance with generally accepted accounting principles;

2. The Audit Committee has discussed with E&Y the matters required to be discussed by Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard No. 16 (Communications with Audit Committees);

3. The Audit Committee received the written disclosures and the letter from E&Y required by applicable requirements of the PCAOB regarding E&Y’s communications with the Audit Committee concerning independence, and has discussed with E&Y its independence; and

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in the Company’s Annual Report on Form 10-K for the year

ended December 31, 2014, for filing with the Securities and Exchange Commission.

Respectfully submitted by the Audit Committee:

Kirk K. Calhoun, Chair

Stephen P. Larson

Mary Ann Sigler

COMPENSATION COMMITTEE

Our Compensation Committee reviews and recommends policies relating to compensation and benefits of our officers and employees, including reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and other named executive officers, evaluating the performance of those officers in light of those goals and objectives and setting compensation of those officers based on such evaluations. In 2014, the Compensation Committee met one time. The Compensation Committee consists of Messrs. Calhoun and Kotzubei and Ms. Sigler, of whom only Mr. Calhoun is independent under NYSE rules. Because Platinum owns more than 50% of the voting power of our common stock, we are considered to be a "controlled company" for the purposes of the NYSE rules. As such, we are permitted, and have elected, to opt out of the NYSE rules that would otherwise require our Compensation Committee to be comprised entirely of independent directors.

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[1] The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the Commission, nor shall such information or report be incorporated by reference into any future filing by us under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.

Our Board has adopted a written charter for the Compensation Committee, pursuant to which the Compensation Committee has, among others, the following authority to fulfill its duties and responsibilities:

Review, revise and interpret the Company's compensation philosophy, policies and objectives, including reviewing and approving any incentive compensation plans and equity-based plans of the Company; and the Compensation Committee shall report its determinations and any actions it takes with respect to the Company's compensation philosophy, policies and objectives to the Board;

Review and approve annually the corporate goals and objectives applicable to the compensation of the Company's CEO, evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation; the Committee's decisions regarding performance goals and objectives and the compensation of the CEO are reviewed and ratified by the Board; in determining the long-term incentive component of the CEO's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative stockholder return, the value of similar awards to chief executive officers at comparable companies and the awards given to the CEO in past years;

Review and approve the compensation for executive officers, including the review and approval of the design and implementation of any incentive arrangements, equity compensation and supplemental retirement programs;

Review and approve grants and awards to officers and other participants under the Company's compensation and participation plans, including the Company's management incentive plans;

Review and make recommendations to the Board regarding the amount and types of compensation that should be paid to the Company's outside directors, to ensure that such pay levels remain competitive;

Review and approve any employment, severance or termination arrangements to be made with any executive officer of the Company;

Review all equity compensation plans under the listing standards of the NYSE or such other national securities exchange or stock market on which the Company's securities may be listed and approve such plans in the Committee's sole discretion;

Annually assist management in drafting the Company's Compensation Discussion and Analysis ("CD&A") to be included in the Company's public filings with the Securities and Exchange Commission by (i) articulating the discussion and analysis to be included in the CD&A, (ii) participating in or overseeing the drafting of the CD&A and (iii) reviewing the CD&A with management and determining whether to recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K or proxy statement, as applicable;

Prepare a report annually to be filed with the Company's annual report on Form 10-K or proxy statement, as applicable, to state whether the Committee has reviewed and discussed the CD&A with management and, based on such review and discussions, whether the Committee has recommended to the Board that the CD&A be included in the Company's annual report on Form 10-K or proxy statement, as applicable; and

EFFECT OF EXCHANGE RATE CHANGES ON CASH	(105)	194
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,301)	5,252
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	36,322	27,880
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 11,021	$ 33,132
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 199	$ 2
Cash paid during the period for income taxes	$ 436	$ 1,194
		(Concluded)

See notes to condensed unaudited consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2009

1. Condensed unaudited consolidated financial statements

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted from these condensed unaudited consolidated financial statements. These condensed unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008. The results of operations for the three- and nine-month periods ended June 30, 2009 are not necessarily indicative of the operating results for the full year.

The preparation of financial statements in conformity with GAAP 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made to present fairly the Company's financial position at June 30, 2009 and the results of its operations and its cash flows for the three and nine-month periods ended June 30, 2009 and 2008.

The Company has evaluated subsequent events through August 7, 2009, the date the financial statements were issued.

2. Stock compensation

During the nine-month period ended June 30, 2009, the Company granted 39,331 shares of service-based stock awards. The fair value of these grants ranged from $14.10 to $18.14 per share based on the fair market value at the grant date. The restrictions on the grants lapse at the end of the required service periods ranging from February 2010 through December 2011. During the nine-month period ended June 30, 2009, the Company also granted 10,801 shares of performance-based stock awards. The fair value of this grant was $17.31 per share based on the fair market value at the grant date. The restrictions on these grants lapse upon achievement of performance-based objectives for the three-year period ending September 30, 2011 and continuous employment through December 15, 2011. The Company estimates that it is less than probable that these performance goals will be achieved and, therefore, has not recorded any stock compensation expense in fiscal 2009 related to these awards. During the nine-month period ended June 30, 2009, 10,801 shares each of service-based and performance-based stock awards granted during fiscal 2009 were forfeited.

Stock compensation expense included in the Company’s results was as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Cost of goods sold	$ 24	$ 36	$ 73	$ 172
Operating expenses	257	364	544	970
Total stock compensation expense	$ 281	$ 400	$ 617	$ 1,142

Stock compensation expense remaining capitalized in inventory at June 30, 2009 and 2008 was $12,000 and $15,000, respectively. Stock compensation expense for the nine-month period ended June 30, 2009 was reduced by approximately $262,000 due primarily to changes in estimates on performance-based stock awards granted in previous fiscal years as the Company estimated that it had become less than probable that the related performance goals would be achieved and due to the forfeiture of shares discussed above.

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3. Earnings per share

The calculation of the basic and diluted earnings per share (“EPS”) is as follows (in thousands, except per share data):

	For the three months ended June 30, 2009			For the three months ended June 30, 2008		
	Earnings	Shares	Per-Share Amount	Earnings	Shares	Per-Share Amount
Basic EPS:						
Net earnings	$ 455	4,845	$ 0.09	$ 2,963	5,461	$ 0.54
Effect of dilutive securities:						
Common stock options		11			60	
Common stock awards		31			53	
Diluted EPS:						
Earnings plus assumed conversions	$ 455	4,887	$ 0.09	$ 2,963	5,574	$ 0.53

	For the nine months ended June 30, 2009			For the nine months ended June 30, 2008		
	Loss	Shares	Per-Share Amount	Earnings	Shares	Per-Share Amount
Basic EPS:						
Net earnings (loss)	$ (446)	4,994	$ (0.09)	$ 5,246	5,417	$ 0.97
Effect of dilutive securities:						
Common stock options		-			72	
Common stock awards		-			44	
Diluted EPS:						
Earnings (loss) plus assumed conversions	$ (446)	4,994	$ (0.09)	$ 5,246	5,533	$ 0.95

The weighted-average number of diluted shares does not include potential common shares which are anti-dilutive, nor does it include performance-based restricted stock awards if the performance measurement has not been met. The following potential common shares at June 30, 2009 and 2008 were not included in the calculation of diluted EPS as they were anti-dilutive or the performance measurement has not been met:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Common shares from:				
Assumed exercise of stock options	15,000	-	55,000	-
Assumed lapse of restrictions on:				
- Service-based stock grants	46,297	1,650	112,871	2,650
- Performance-based stock grants	31,904	35,408	31,904	35,408

The options expire on dates beginning in February 2010 through February 2015. The restrictions on stock grants may lapse between September 2009 and December 2011.

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4. Income taxes

The provision (benefit) for income taxes is based on the estimated effective income tax rate for the year. Changes in the estimated effective income tax rate are accounted for in the period the change in estimate occurs. In the third quarter of fiscal 2009, the Company revised its estimated effective income tax rate for the year which reduced income tax expense by approximately $165,000. During the first quarter of fiscal 2009, income tax expense was reduced by approximately $160,000 for additional research and development tax credits related to expenditures incurred during fiscal 2008 due to changes in tax law which were enacted during the quarter to retroactively renew these tax credits.

5. Termination costs

In March 2009, the Company announced a workforce reduction. As a result, the Company expects to incur approximately $890,000 in costs related to the reduction in force. Of this amount, approximately $845,000 relates to one-time termination benefits and $45,000 is for employee relocation costs. Approximately $845,000 and $45,000 of these costs were expensed as operating expenses in the second and third quarters of fiscal 2009, respectively. At June 30, 2009, approximately $264,000 remained accrued as liabilities for amounts expensed in the second quarter of fiscal 2009 that were not paid as of June 30, 2009. The Company expects that these amounts will be paid in fiscal 2010.

6. Derivative Instruments

The Company entered into an interest rate swap arrangement during the first quarter of fiscal 2009. The Company also entered into and settled certain foreign currency derivative contracts during the first nine months of fiscal 2009.

The Company uses derivative instruments as risk management tools but does not use derivative instruments for trading or speculative purposes. Derivatives used for interest rate swap hedging purposes are designated and effective as a cash flow hedge of the identified risk exposure related to the Company's variable rate mortgage at the inception of the contract. A hedge is deemed effective if changes in the fair value of the derivative contract are highly correlated with changes in the underlying hedged item at inception of the hedge and over the life of the hedge contract. To the extent the interest rate swap is effective, changes in the fair value will be recognized in Other Comprehensive Income over the term of the derivative contract. To the extent the interest rate swap is not effective, changes in the fair value will be recognized in earnings.

At June 30, 2009, the Company had an interest rate swap of $6.3 million that effectively fixes the interest rate on its LIBOR-based variable rate mortgage at 4.27%. At June 30, 2009, the fair value of the swap agreement recorded as an asset in Other long-term assets on the Condensed Consolidated Balance Sheet was $199,000. There were no gains or losses recognized in net income related to the swap agreement during the nine months ended June 30, 2009, as the interest rate swap was highly effective as a cash flow hedge. Consequently, at June 30, 2009, the $199,000 gain was recorded as part of Other Comprehensive Income in the Equity section of the Company's Condensed Consolidated Balance Sheet. During the three and nine-month period ended June 30, 2009, the Company recorded $39,000 and $77,000, respectively, as interest expense related to the interest rate swap. Based on current market conditions, the Company expects to record interest expense in Other income (expense) on the Company's Condensed Consolidated Statement of Operations to reflect actual interest payments and settlement of the interest rate swap in the next 12 months. The interest rate swap matures in January 2024.

At June 30, 2009, the Company had a one-month undesignated forward exchange contract for €3.5 million. Forward exchange contracts are used to manage the Company's foreign currency exchange risk related to its ongoing operations. Net foreign currency losses of $326,000 and $657,000 were recorded for forward exchange contracts in the three and nine-month periods ended June 30, 2009, respectively, in Other income (expense) on the Company's Condensed Consolidated Statement of Operations. At June 30, 2009, the Company had assets of $35,000 under these

forward contracts in Other current assets on the Company's Condensed Consolidated Balance Sheet. At September 30, 2008, the Company had assets of $33,000 for forward contracts in other current assets on the Company's Consolidated Balance Sheet.

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7. Fair Value Measurements

The Company adopted Statement of Financial Accounting Standards 157 (SFAS 157) "Fair Value Measurements" as of October 1, 2008. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 also specifies a fair value hierarchy based upon the observability of inputs in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with SFAS 157, fair value measurements are classified under the following hierarchy:

- 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-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- Level 3 – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, the Company uses quoted market prices to determine fair value and classifies such measurements within Level 1. In some cases where market prices are not available, the Company makes use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market processes are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Money Market Funds

The Company has measured its money market funds based on quoted prices in active markets of identical assets.

Derivative financial instruments

The fair value of interest rate swap derivatives is primarily based on pricing models. These models use discounted cash flows that utilize the appropriate market-based forward swap curves. The fair value of foreign currency forward contracts is based on the differential between contract price and the market-based forward rate.

The following table presents the Company's assets and liabilities that are measured and recorded at fair value on a recurring basis consistent with the fair value hierarchy provisions of SFAS 157.

	Fair Value Measurements at June 30, 2009 (in thousands)			
Description	Level 1	Level 2	Level 3	Total Assets/ Liabilities at Fair Value
Money market funds	$ 8,397	$ -	$ -	$ 8,397
Derivatives:				

Interest rate swap	-	199	-	199
Forward exchange contracts	-	0	-	0

At June 30, 2009, the Company had long-term debt of approximately $6.3 million which is classified within Level 3. The fair value of the debt approximated its carrying value. At June 30, 2009, the Company had a $54,000 purchase option, the fair value of which approximated its carrying value.

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Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Forward exchange contracts had a fair value of zero at the reporting date, as these contracts were entered into as of that date. Changes in assumptions could significantly affect these estimates.

8. Property, plant and equipment

During the first quarter of fiscal 2009, the Company exercised its purchase option for its Walla Walla facility and grounds. The purchase price was approximately $6.5 million. Approximately $600,000 in deferred rents was offset against the purchase price as required by FASB 13, "Accounting for Leases." The Company has allocated approximately $1.7 million of the net purchase price to land and approximately $800,000 to land improvements and other separate components of the facility and grounds. Also in the third quarter of the fiscal year, the Company sold its facility and grounds in the Netherlands. The gross selling price of approximately $1.5 million, which included transfer taxes payable, was recorded as a receivable from the sale as of June 30, 2009 and was remitted to the Company subsequent to June 30, 2009. The net proceeds to the Company were approximately $1.4 million. The sales agreement also provided for a 33 month leaseback of a portion of the facility, with a monthly renewal option, for approximately $6,500 per month. As a result of the sale and leaseback, approximately $8,000 of the gain from the sale was recognized during the third quarter of fiscal 2009, and the remaining $211,000 gain was deferred and will be amortized as an offset to rent expense over the leaseback period.

9. Investment in Proditec

In the third quarter of fiscal 2009, the Company completed an agreement to acquire a minority interest in Proditec SAS, a French manufacturer of automated, solid dose pharmaceutical inspection systems. The Company acquired a 15% minority interest for €870,000, or approximately $1.2 million. The Company also acquired an exclusive option to purchase the remaining interest through October 5, 2009. The Company's investment in Proditec, including acquisition costs, is approximately $1.5 million as of June 30, 2009. This investment is being accounted for under the cost method of accounting with approximately $54,000 of the purchase price assigned as the fair value of the option.

10. Financing arrangements

In the first quarter of fiscal 2009, the Company completed borrowing arrangements under a loan agreement with a domestic lender. The loan agreement provides a revolving line of credit facility to the Company in the maximum principal amount of $10,000,000 and a credit sub-facility of up to $6,000,000 for standby letters of credit. The revolving line of credit facility matures on December 1, 2009. The credit facility bears interest, at the Company's option, of either the lender's prime rate minus 1.75% or the British Bankers Association LIBOR Rate ("BBA LIBOR") plus 1.0% per annum. The revolving line of credit is secured by all U.S. accounts receivable, inventory, equipment, and fixtures. At June 30, 2009, the Company had no outstanding borrowings under the revolving line of credit facility.

The loan agreement also provides for a 15-year term loan in the amount of $6.4 million. The term loan provides for a mortgage on the Company's Avery Street headquarters' land and building located in Walla Walla, Washington. The term loan bears interest at the BBA LIBOR rate plus 1.4% and matures on January 2, 2024. The Company has also simultaneously entered into an interest rate swap agreement with the lender to fix the interest rate at 4.27%.

The credit facilities contain covenants which require the maintenance of a funded debt to EBITDA ratio, a fixed charge coverage ratio and minimum working capital levels. The loan agreement permits capital expenditures up to a certain level, and contains customary default and acceleration provisions. The credit facilities also restrict

acquisitions, incurrence of additional indebtedness and lease expenditures above certain levels without the prior consent of the lender. At June 30, 2009, the Company was in compliance with its loan covenants.

The Company's prior credit facility with a domestic lender was terminated during the first quarter of fiscal 2009. The Company's existing European credit facility remains unchanged.

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11. Capitalized interest

During the three and nine-month period ended June 30, 2009, the Company incurred a total of $69,000 and $152,000, respectively, in interest expense. Of this amount, $18,000 and $72,000, respectively, was capitalized to Property, Plant and Equipment related to self-constructed assets for the Company's use.

12. Comprehensive income (loss)

The calculation of comprehensive income (loss) is as follows (in thousands):

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Components of comprehensive income (loss):				
Net earnings (loss)	$ 455	$ 2,963	$ (446)	$ 5,246
Other comprehensive income (loss) -				
Foreign currency translation adjustment	244	(23)	(193)	585
Unrealized changes in value of derivatives	318	-	199	-
Income tax (expense) benefit related to items of comprehensive income (loss)	(191)	8	(2)	(199)
Total comprehensive income (loss)	$ 826	$ 2,948	$ (442)	$ 5,632

13. Contractual guarantees and indemnities

Product warranties

The Company provides a warranty on its products ranging from ninety days to five years following the date of shipment. Management establishes allowances for customer support and warranty costs based upon the types of products shipped, customer support and product warranty experience. The provision of customer support and warranty costs is charged to cost of sales at the time of sale, and it is periodically assessed for adequacy based on changes in these factors.

A reconciliation of the changes in the Company's allowances for warranties for the nine months ended June 30, 2009 and 2008 (in thousands) is as follows:

	Nine months ended June 30,	
	2009	2008
Beginning balance	$ 1,704	$ 1,433
Warranty costs incurred	(2,830)	(1,731)
Warranty expense accrued	3,090	1,632
Translation adjustments	(6)	42
Ending balance	$ 1,958	$ 1,376

Intellectual property and general contractual indemnities

The Company, in the normal course of business, provides specific, limited indemnification to its customers for liability and damages related to intellectual property rights. In addition, the Company may enter into contracts with customers where it has agreed to indemnify the customer for personal injury or property damage caused by the Company's products and services. Indemnification is typically limited to replacement of the items or the actual price of the products and services. The Company maintains product liability insurance as well as errors and omissions insurance, which may provide a source of recovery in the event of an indemnification claim, but does not maintain insurance coverage for claims related to intellectual property rights.

Historically, any amounts payable under these indemnifications have not had a material effect on the Company's business, financial condition, results of operations, or cash flows. The Company has not recorded any provision for future obligations under these indemnifications. If the Company determines it is probable that a loss has occurred under these indemnifications, then any such reasonably estimable loss would be recognized.

Director and officer indemnities

The Company has entered into indemnification agreements with its directors and certain executive officers which require the Company to indemnify such individuals against certain expenses, judgments and fines in third-party and derivative proceedings. The Company may recover, under certain circumstances, some of the expenses and liabilities that arise in connection with such indemnifications under the terms of its directors' and officers' insurance policies. The Company has not recorded any provision for future obligations under these indemnification agreements.

Bank guarantees and letters of credit

At June 30, 2009, the Company had standby letters of credit totaling $1.6 million, which includes secured bank guarantees under the Company's credit facility in Europe and letters of credit securing certain self-insurance contracts. If the Company fails to meet its contractual obligations, these bank guarantees and letters of credit may become liabilities of the Company. This amount is comprised of approximately $1.4 million of outstanding performance guarantees secured by bank guarantees under the Company's European subsidiaries' credit facility in Europe and a standby letter of credit for $150,000 securing certain self-insurance contracts related to workers compensation. Bank guarantees arise when the European subsidiary collects customer deposits prior to order fulfillment. The customer deposits received are recorded as current liabilities on the Company's balance sheet. The bank guarantees repayment of the customer deposit in the event an order is not completed. The bank guarantee is canceled upon shipment and transfer of title. These bank guarantees arise in the normal course of the Company's European business and are not deemed to expose the Company to any significant risks since they are satisfied as part of the design and manufacturing process.

Purchase Obligations

At June 30, 2009, the Company had remaining contractual obligations to purchase certain materials and supplies aggregating $1.1 million. As of June 30, 2009, the Company had purchased $149,000 of materials under these contracts. The Company anticipates that it will purchase approximately $1.1 million of these obligations within the next twelve months and $26,000 in the subsequent three months. During the three and nine-month periods ended June 30, 2009, the Company recorded losses of $10,000 and $17,000, respectively, related to these contracts.

14. Stock repurchase program

In the first quarter of fiscal 2009, the Board of Directors restored the number of shares that may be repurchased to the original 500,000 share amount, and subsequently increased the number of shares that may be repurchased under the share repurchase program to 750,000 shares. The program does not incorporate a fixed expiration date. During the first nine months of fiscal 2009, the Company purchased 671,250 shares at an average price of $14.84 per share. Included in these amounts was the repurchase of 23,325 shares of its common stock from Michael L. Shannon, an independent director of the Company. The shares were purchased from Mr. Shannon during the first quarter of fiscal 2009 at an average price of $15.01 per share based on the daily closing price of the Company's common stock on The Nasdaq Global Market, less $0.03 per share. The total purchase price paid to Mr. Shannon was approximately $350,000.

15. Future accounting changes

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," to delay the effective date of FASB Statement 157 for one year for certain nonfinancial assets and nonfinancial liabilities, excluding those that are recognized or disclosed in financial statements at fair value on a recurring basis (that is, at least annually). For purposes of applying the FSP, nonfinancial assets and nonfinancial liabilities include all assets and liabilities other than those meeting the definition of a financial asset

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or a financial liability in FASB Statement 159. This FSP defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company currently does not believe that the adoption of FAS 157-2 will have a significant effect on its financial statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." This position states that unvested share-based payment awards that contain nonforfeitable rights to dividends (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, "Earnings per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. All prior period EPS data will be required to be adjusted to conform to the provisions of this pronouncement and early application is prohibited. The Company does have participating securities as described under this pronouncement and is currently evaluating the impact of FSP EITF 03-6-1.

In December 2007, the Financial Accounting Standards Board ratified a consensus opinion reached by the Emerging Issues Task Force (EITF) on EITF Issue 07-1, "Accounting for Collaborative Arrangements." The guidance in EITF Issue 07-1 defines collaborative arrangements and establishes presentation and disclosure requirements for transactions within a collaborative arrangement (both with third parties and between participants in the arrangement). The consensus in EITF Issue 07-1 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The consensus requires retrospective application to all collaborative arrangements existing as of the effective date, unless retrospective application is impracticable. The impracticability evaluation and exception is to be performed on an arrangement-by-arrangement basis. The Company currently does not believe that the adoption of EITF Issue 07-1 will have a significant effect on its financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) (SFAS 141R), "Business Combinations," and No. 160 (SFAS 160), "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS 141R requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed at fair value on the date of acquisition. Further, SFAS 141R also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under SFAS 160, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. SFAS 141R and SFAS 160 will become effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company does not expect the adoption of SFAS 160 to have a significant effect on its financial statements. The adoption of SFAS 141R will affect the Company for any acquisitions made subsequent to the end of fiscal 2009.

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

From time to time, Key Technology, Inc. (“Key” or the “Company”), through its management, may make forward-looking public statements with respect to the Company regarding, among other things, expected future revenues or earnings, projections, plans, future performance, product development and commercialization, and other estimates relating to the Company’s future operations. Forward-looking statements may be included in reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), in press releases or in oral statements made with the approval of an authorized executive officer of Key. The words or phrases “will likely result,” “are expected to,” “intends,” “is anticipated,” “estimates,” “believes,” “projects” or similar expressions are intended to identify “forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended, as enacted by the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are subject to a number of risks and uncertainties. The Company cautions investors not to place undue reliance on its forward-looking statements, which speak only as of the date on which they are made. Key’s actual results may differ materially from those described in the forward-looking statements as a result of various factors, including those listed below:

- current worldwide economic conditions may adversely affect the Company’s business and results of operations, and the business of the Company’s customers;
- adverse economic conditions, particularly in the food processing industry, either globally or regionally, may adversely affect the Company's revenues;
- the loss of any of the Company’s significant customers could reduce the Company’s revenues and profitability;
- the Company is subject to pricing pressure from its larger customers which may reduce the Company’s profitability;
- the failure of any of the Company's independent sales representatives to perform as expected would harm the Company's net sales;
- the Company may make acquisitions that could disrupt the Company’s operations and harm the Company’s operating results;
- issues arising during the implementation of the Company's enterprise resource planning (“ERP”) system could affect the Company’s operating results and ability to manage the Company’s business effectively;
- if the Company's ERP system is not implemented properly, it could cause errors in the Company's financial reporting;
- the Company's international operations subject the Company to a number of risks that could adversely affect the Company’s revenues, operating results and growth;
- competition and advances in technology may adversely affect sales, prices and the marketability of the Company’s products;
- failure of the Company’s new products to compete successfully in either existing or new markets;
- the Company's inability to retain and recruit experienced personnel may adversely affect the Company’s business and prospects for growth;
- the loss of members of the Company’s management team could substantially disrupt the Company’s business operations;
- the inability of the Company to protect the Company’s intellectual property, especially as the Company expands geographically, may adversely affect the Company’s competitive advantage;
- intellectual property-related litigation expenses and other costs resulting from infringement claims asserted against the Company by third parties may adversely affect the Company’s results of operations and the Company’s customer relations;
- the Company's dependence on certain suppliers may leave the Company temporarily without adequate access to raw materials or products;
-

the limited availability and possible cost fluctuations of materials used in the Company’s products could adversely affect the Company’s gross profits; and

- the price of the Company's common stock may fluctuate significantly and this may make it difficult for shareholders to resell common stock when they want or at prices they find attractive.

More information may be found in Item 1A, “Risk Factors,” in the Company’s Annual Report on Form 10-K filed with the SEC on December 12, 2008, which item is hereby incorporated by reference.

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Given these uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements. The Company disclaims any obligation subsequently to revise or update forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview

General

The Company and its operating subsidiaries design, manufacture, sell and service process automation systems that process product streams of discrete pieces to improve safety and quality. These systems integrate electro-optical automated inspection and sorting systems with process systems that include specialized conveying and preparation systems. The Company provides parts and service for each of its product lines to customers throughout the world. Industries served include food processing, as well as tobacco, plastics, and pharmaceuticals and nutraceuticals. The Company maintains two domestic manufacturing facilities and a European manufacturing facility located in the Netherlands. The Company markets its products directly and through independent sales representatives.

In recent years, 40% or more of the Company's sales have been made to customers located outside the United States. In its export and international sales, the Company is subject to the risks of conducting business internationally, including unexpected changes in regulatory requirements; fluctuations in the value of the U.S. dollar which could increase or decrease the sales prices in local currencies of the Company's products; tariffs and other barriers and restrictions; and the burdens of complying with a variety of international laws.

Current worldwide economic conditions have caused many customers to significantly delay or reduce their expenditures for capital equipment, and undertake more stringent and protracted approval processes within their organizations. As a result, the Company's overall financial results thus far in fiscal 2009 have been adversely affected and the Company has taken a variety of cost reduction initiatives. These cost reduction initiatives included a reduction of approximately 7% in its global workforce. The initiatives also included cancellation of fiscal year cash and stock incentive awards, temporary reductions in pay for all U.S. personnel, suspension of 401(k) matching, mandatory leave and other cost reduction measures. The majority of the benefits from these actions are expected to be realized during the second half of fiscal 2009.

During the third quarter of fiscal 2009, the Company completed an agreement to acquire a minority interest in Proditec SAS, a French manufacturer of automated, solid dose pharmaceutical inspection systems. The Company acquired a 15% minority interest for €870,000, or approximately $1.2 million. The Company also acquired an exclusive option to purchase the remaining interest through October 5, 2009.

Current period – third quarter of fiscal 2009

In the third quarter of fiscal 2009, the Company's order volume, net sales, backlog, and net earnings all decreased compared to the corresponding period in the prior fiscal year. Net sales of $26.2 million in the third fiscal quarter of 2009 were $9.6 million, or 27%, lower than net sales of $35.8 million in the corresponding quarter a year ago. International sales were 48% of net sales for the third fiscal quarter of 2009, compared to 45% in the corresponding prior year period. Backlog of $26.2 million at the end of the third fiscal quarter of 2009 represented a $16.0 million, or 38%, decrease from the ending backlog of $42.2 million in the corresponding quarter a year ago. Net earnings for the third quarter of fiscal 2009 were $455,000, or $0.09 per diluted share. Net earnings for the corresponding period last year were $3.0 million, or $0.53 per diluted share. Customer orders in the third quarter of fiscal 2009 of $20.7 million were down $10.0 million, or 33%, compared to orders of $30.7 million in the third quarter of fiscal 2008. Orders decreased across all major geographic areas, product lines and markets. During the third quarter of fiscal 2009, the Company continued to focus on strengthening market share and revenues in its established

markets and geographies, developing its presence in the pharmaceutical and nutraceutical market, increasing upgrade system sales, and continuing to expand its global market presence.

First nine months of fiscal 2009

The Company's results for the first nine months of fiscal 2009 also showed a decrease in order volume, net sales and net earnings compared to the corresponding period in the prior fiscal year. Business decreased in all major geographic regions, customer markets and product lines. Net sales of $76.8 million for the first nine months of fiscal 2009 were $17.0 million, or 18%, lower than net sales of $93.9 million in the corresponding period a year ago.

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Customer orders in the first nine months of fiscal 2009 of $69.5 million were down $35.6 million, or 34%, compared to the orders of $105.1 million in the first nine months of fiscal 2008. The net loss for the first nine months of fiscal 2009 was $446,000, or $0.09 per diluted share. Net earnings for the corresponding nine-month period last year were $5.2 million, or $0.95 per diluted share. The net loss in the first nine months of fiscal 2009 included pre-tax charges of $890,000 related to a workforce reduction and a $343,000 write-off of previously incurred costs associated with a potential facility expansion. The results for the first nine months of fiscal 2009 also included the effects of certain cost reduction initiatives implemented during fiscal 2009.

The Company implemented a new global enterprise resource planning (“ERP”) system during the third quarter of fiscal 2009. Capital expenditures of approximately $2.8 million related to the ERP implementation were incurred during the first nine months of fiscal 2009.

Application of Critical Accounting Policies

The Company has identified its critical accounting policies, the application of which may materially affect its financial statements, either because of the significance of the financial statement item to which they relate, or because they require management judgment to make estimates and assumptions in measuring, at a specific point in time, events which will be settled in the future. The critical accounting policies, judgments and estimates which management believes have the most significant effect on the financial statements are set forth below:

- Revenue recognition
- Allowances for doubtful accounts
- Valuation of inventories
- Long-lived assets
- Allowances for warranties
- Accounting for income taxes

Management has discussed the development, selection and related disclosures of these critical accounting estimates with the audit committee of the Company’s board of directors.

Revenue Recognition. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the sale price is fixed or determinable, and collectability is reasonably assured. Additionally, the Company sells its goods on terms which transfer title and risk of loss at a specified location, typically shipping point, port of loading or port of discharge, depending on the final destination of the goods. Accordingly, revenue recognition from product sales occurs when all criteria are met, including transfer of title and risk of loss, which occurs either upon shipment by the Company or upon receipt by customers at the location specified in the terms of sale. Sales of system upgrades are recognized as revenue upon completion of the conversion of the customer’s existing system when this conversion occurs at the customer site. Revenue earned from services (maintenance, installation support, and repairs) is recognized ratably over the contractual period or as the services are performed. If any contract provides for both equipment and services (multiple deliverables), the sales price is allocated to the various elements based on objective evidence of fair value. Each element is then evaluated for revenue recognition based on the previously described criteria. The Company’s sales arrangements provide for no other significant post-shipment obligations. If all conditions of revenue recognition are not met, the Company defers revenue recognition. In the event of revenue deferral, the sale value is not recorded as revenue to the Company, accounts receivable are reduced by any amounts owed by the customer, and the cost of the goods or services deferred is carried in inventory. In addition, the Company periodically evaluates whether an allowance for sales returns is necessary. Historically, the Company has experienced few sales returns. If the Company believes there are potential sales returns, the Company will provide any necessary provision against sales. In accordance with the Financial Accounting Standard Board’s Emerging Issues Task Force Issue No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor’s Product,” the Company accounts for cash consideration (such as

sales incentives) that are given to customers or resellers as a reduction of revenue rather than as an operating expense unless an identified benefit is received for which fair value can be reasonably estimated. The Company believes that revenue recognition is a "critical accounting estimate" because the Company's terms of sale vary significantly, and management exercises judgment in determining whether to recognize or defer revenue based on those terms. Such judgments may materially affect net sales for any period. Management exercises judgment within the parameters of accounting principles generally accepted in the United States of America (GAAP) in determining when contractual obligations are met, title and risk of loss are transferred, the sales price is fixed or

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determinable and collectability is reasonably assured. At June 30, 2009, the Company had invoiced $2.4 million compared to $2.9 million at September 30, 2008 for which the Company has not recognized revenue.

Allowances for doubtful accounts. The Company establishes allowances for doubtful accounts for specifically identified, as well as anticipated, doubtful accounts based on credit profiles of customers, current economic trends, contractual terms and conditions, and customers' historical payment patterns. Factors that affect collectability of receivables include general economic or political factors in certain countries that affect the ability of customers to meet current obligations. The Company actively manages its credit risk by utilizing an independent credit rating and reporting service, by requiring certain percentages of down payments, and by requiring secured forms of payment for customers with uncertain credit profiles or located in certain countries. Forms of secured payment could include irrevocable letters of credit, bank guarantees, third-party leasing arrangements or EX-IM Bank guarantees, each utilizing Uniform Commercial Code filings, or the like, with governmental entities where possible. The Company believes that the accounting estimate related to allowances for doubtful accounts is a "critical accounting estimate" because it requires management judgment in making assumptions relative to customer or general economic factors that are outside the Company's control. As of June 30, 2009, the balance sheet included allowances for doubtful accounts of $398,000. Amounts charged to bad debt expense for the nine-month periods ended June 30, 2009 and 2008 were $123,000 and $7,000, respectively. Actual charges to the allowance for doubtful accounts for the nine-month periods ended June 30, 2009 and 2008 were $39,000 and $163,000, respectively. If the Company experiences actual bad debt expense in excess of estimates, or if estimates are adversely adjusted in future periods, the carrying value of accounts receivable would decrease and charges for bad debts would increase, resulting in decreased net earnings.

Valuation of inventories. Inventories are stated at the lower of cost or market. The Company's inventory includes purchased raw materials, manufactured components, purchased components, service and repair parts, work in process, finished goods and demonstration equipment. Write downs for excess and obsolete inventories are made after periodic evaluation of historical sales, current economic trends, forecasted sales, estimated product lifecycles and estimated inventory levels. The factors that contribute to inventory valuation risks are the Company's purchasing practices, electronic component obsolescence, accuracy of sales and production forecasts, introduction of new products, product lifecycles and the associated product support. The Company actively manages its exposure to inventory valuation risks by maintaining low safety stocks and minimum purchase lots, utilizing just in time purchasing practices, managing product end-of-life issues brought on by aging components or new product introductions, and by utilizing inventory minimization strategies such as vendor-managed inventories. The Company believes that the accounting estimate related to valuation of inventories is a "critical accounting estimate" because it is susceptible to changes from period-to-period due to the requirement for management to make estimates relative to each of the underlying factors ranging from purchasing to sales to production to after-sale support. At June 30, 2009, cumulative inventory adjustments to lower of cost or market totaled $1.9 million compared to $1.7 million as of September 30, 2008. Amounts charged to expense to record inventory at lower of cost or market for the nine-month periods ended June 30, 2009 and 2008 were $395,000 and $312,000, respectively. Actual charges to the cumulative inventory adjustments upon disposition or sale of inventory were $201,000 and $419,000 for the nine-month periods ended June 30, 2009 and 2008, respectively. If actual demand, market conditions or product lifecycles are adversely different from those estimated by management, inventory adjustments to lower market values would result in a reduction to the carrying value of inventory, an increase in inventory write-offs, and a decrease to gross margins.

Long-lived assets. The Company regularly reviews all of its long-lived assets, including property, plant and equipment, and amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the total of projected future undiscounted cash flows is less than the carrying amount of these assets, an impairment loss based on the excess of the carrying amount over the fair value of the assets is recorded. In addition, goodwill is reviewed based on its fair value at least annually. As of June 30, 2009, the Company held $19.9 million of property, plant and equipment and intangible assets, net of depreciation and

amortization, and goodwill. There were no changes in the Company's long-lived assets that would result in an adjustment of the carrying value for these assets. Estimates of future cash flows arising from the utilization of these long-lived assets and estimated useful lives associated with the assets are critical to the assessment of recoverability and fair values. The Company believes that the accounting estimate related to long-lived assets is a "critical accounting estimate" because: (1) it is susceptible to change from period to period due to the requirement for management to make assumptions about future sales and cost of sales generated throughout the lives of several product lines over extended periods of time; and (2) the potential effect that recognizing an impairment could have on the assets reported on the Company's balance sheet and the potential material adverse effect on reported earnings

or loss. Changes in these estimates could result in a determination of asset impairment, which would result in a reduction to the carrying value and a reduction to net earnings in the affected period.

Allowances for warranties. The Company's products are covered by standard warranty plans included in the price of the products ranging from 90 days to five years, depending upon the product and contractual terms of sale. The Company establishes allowances for warranties for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line. Company products include both manufactured and purchased components and, therefore, warranty plans include third-party sourced parts which may not be covered by the third-party manufacturer's warranty. Ultimately, the warranty experience of the Company is directly attributable to the quality of its products. The Company actively manages its quality program by using a structured product introduction plan, process monitoring techniques utilizing statistical process controls, vendor quality metrics, a quality training curriculum for every employee, and feedback loops to communicate warranty claims to designers and engineers for remediation in future production. The Company believes that the accounting estimate related to allowances for warranties is a "critical accounting estimate" because: (1) it is susceptible to significant fluctuation period to period due to the requirement for management to make assumptions about future warranty claims relative to potential unknown issues arising in both existing and new products, which assumptions are derived from historical trends of known or resolved issues; and (2) risks associated with third-party supplied components being manufactured using processes that the Company does not control. As of June 30, 2009, the balance sheet included warranty reserves of $2.0 million, while $2.8 million of warranty charges were incurred during the nine-month period ended June 30, 2009, compared to warranty reserves of $1.4 million as of June 30, 2008 and warranty charges of $1.7 million for the nine-month period then ended. If the Company's actual warranty costs are higher than estimates, future warranty plan coverages are different, or estimates are adversely adjusted in future periods, reserves for warranty expense would need to increase, warranty expense would increase and gross margins would decrease.

Accounting for income taxes. The Company's provision for income taxes and the determination of the resulting deferred tax assets and liabilities involves a significant amount of management judgment. The quarterly provision for income taxes is based partially upon estimates of pre-tax financial accounting income for the full year and is affected by various differences between financial accounting income and taxable income. Judgment is also applied in determining whether the deferred tax assets will be realized in full or in part. In management's judgment, when it is more likely than not that all or some portion of specific deferred tax assets, such as foreign tax credit carryovers, will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that are determined not to be realizable. At June 30, 2009, the Company had valuation reserves of approximately $450,000 for deferred tax assets for capital loss carryforwards and the valuation reserve for notes receivable related to the sale of the investment in the InspX joint venture, and offsetting amounts for U.S. and Chinese deferred tax assets and liabilities, primarily related to net operating loss carry forwards in the foreign jurisdictions that the Company believe will not be utilized during the carryforward period. There were no other valuation allowances at June 30, 2009 due to anticipated utilization of all the deferred tax assets as the Company believes it will have sufficient taxable income to utilize these assets. The Company maintains reserves for estimated tax exposures in jurisdictions of operation. These tax jurisdictions include federal, state and various international tax jurisdictions. Potential income tax exposures include potential challenges of various tax credits, export-related tax benefits, and issues specific to state and local tax jurisdictions. Exposures are typically settled primarily through audits within these tax jurisdictions, but can also be affected by changes in applicable tax law or other factors, which could cause management of the Company to believe a revision of past estimates is appropriate. During fiscal 2008 and thus far in fiscal 2009, there have been no significant changes in these estimates. Management believes that an appropriate liability has been established for estimated exposures; however, actual results may differ materially from these estimates. The Company believes that the accounting estimate related to income taxes is a "critical accounting estimate" because it relies on significant management judgment in making assumptions relative to temporary and permanent timing differences of tax effects, estimates of future earnings, prospective application of changing tax laws in multiple jurisdictions, and the resulting

ability to utilize tax assets at those future dates. If the Company's operating results were to fall short of expectations, thereby affecting the likelihood of realizing the deferred tax assets, judgment would have to be applied to determine the amount of the valuation allowance required to be included in the financial statements in any given period. Establishing or increasing a valuation allowance would reduce the carrying value of the deferred tax asset, increase tax expense and reduce net earnings.

The federal Research and Development Credit ("R&D credit") expired on December 31, 2007. During the first quarter of fiscal 2009, the Emergency Economic Stabilization Act of 2008 was enacted. As part of the legislation, the existing R&D credit was retroactively renewed and extended to December 31, 2009. Due to this change in tax

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law, the Company recorded approximately $160,000 of additional R&D tax credits in the first quarter of fiscal 2009 related to R&D expenditures incurred during fiscal 2008. In the third quarter of fiscal 2009, the Company reduced income tax expense by approximately $165,000 due to changes in the estimate of the Company's effective tax rate for fiscal 2009.

Adoption of New Accounting Principles

On October 1, 2008, Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," and Statement 159, "The Fair Value Option for Financial Assets and Financial Liabilities" became effective for the Company. In the second quarter of fiscal 2009, Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities" became effective for the Company. Adoption of these pronouncements did not have a significant effect on the Company's financial statements.

Results of Operations

For the three months ended June 30, 2009 and 2008

Net sales decreased $9.6 million, or 27%, to $26.2 million in the third quarter of fiscal 2009 from $35.8 million in net sales recorded in the corresponding quarter a year ago. International sales for the three-month period were 48% of net sales compared to 55% in the corresponding prior year period. Decreases in net sales occurred in process systems sales, down $6.9 million, or 46%, automated inspection systems sales, down $2.6 million, or 17%, and in parts and service sales, down $187,000, or 3%. The decrease in process systems sales related to decreased shipments of vibratory products, and other process systems equipment in all major geographic regions. The decrease in automated inspection systems sales related primarily to decreased shipments of upgrade systems. Automated inspection systems sales, including upgrade systems, represented 48% of net sales in the third quarter of fiscal 2009 compared to 42% of net sales in the third quarter of fiscal 2008. Process systems sales represented 31% of net sales in the third quarter of fiscal 2009 compared to 42% during the third quarter of fiscal 2008, while parts and service sales accounted for 21% of the more recent quarter's net sales, up from 16% in the same quarter a year ago.

Total backlog was $26.2 million at the end of the third quarter of fiscal 2009 and was $16.0 million lower than the $42.2 million backlog at the end of the third quarter of the prior fiscal year. Process systems backlog decreased by $8.0 million, or 46%, to $9.4 million at the end of the third quarter of fiscal 2009 compared to $17.4 million at the same time a year ago. The backlog decrease for process systems was primarily related to vibratory products in all major geographic regions. Backlog for automated inspection systems was down $7.3 million, or 31%, to $16.1 million at June 30, 2009 compared to $23.4 million at June 30, 2008. The backlog decrease for automated inspection systems was in all product categories except for increases in backlog for tobacco systems and upgrade systems. Backlog by product line at June 30, 2009 was 61% automated inspection systems, 36% process systems, and 3% parts and service, compared to 56% automated inspection systems, 41% process systems, and 3% parts and service on June 30, 2008.

Orders decreased by $10 million, or 33%, to $20.7 million in the third quarter of fiscal 2009 compared to the third quarter new orders of $30.7 million a year ago. Process systems orders decreased $1.6 million, or 17%, during the third quarter of fiscal 2009 to $7.6 million compared to $9.2 million in the third quarter of fiscal 2008. Orders for automated inspection systems during the third quarter of fiscal 2009 decreased $7.6 million, or 50%, to $7.5 million from $15.1 million in the comparable quarter of fiscal 2008. Orders for parts and service decreased $799,000, or 13%, during the third quarter of fiscal 2009 to $5.6 million compared to $6.4 million in the third quarter of fiscal 2008. The decrease in orders for process systems, automated inspection systems, and parts and service related to all major geographic regions, customer markets and product lines.

Gross profit for the third quarter of fiscal 2009 was $9.6 million compared to $15.0 million in the corresponding period last year. Gross profit in the third quarter of fiscal 2009, as a percentage of net sales, decreased to 36.6% compared to the 42.0% reported in the corresponding quarter of fiscal 2008. The gross profit decline from the corresponding quarter a year ago was primarily due to market driven pricing pressures, lower volumes, and underutilization of manufacturing operations, as well as increased customer support costs.

Operating expenses of $9.1 million for the third quarter of fiscal 2009 were 34.8% of net sales compared with $10.9 million, or 30.5% of net sales, for the third quarter of fiscal 2008. The most significant change in operating expenses related to the reduction in sales and marketing expenses. Sales and marketing expenses during the third

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quarter of fiscal 2009 were down compared to the prior year third quarter primarily as a result of lower sales commissions related to lower sales and a lower percentage of sales generated by outside representatives. Other operating expense reductions related to the cost reduction initiatives implemented in the second quarter of fiscal 2009.

Other expense for the third quarter of fiscal 2009 was $96,000 compared to other income of $252,000 for the corresponding period in fiscal 2008. Other income (expense) decreased in the third quarter of fiscal 2009 compared to the corresponding period in fiscal 2008 due to a $121,000 decline in interest income on lower invested balances, and foreign exchange losses of $23,000 incurred in the third fiscal quarter of 2009 compared to foreign exchange gains of $156,000 in the third fiscal quarter of 2008.

Net income for the quarter ending June 30, 2009 was $455,000, or $0.09 per diluted share. Net earnings for the same period last year were $3.0 million, or $0.53 per diluted share. The lower net earnings in the third quarter of fiscal 2009, compared to the net earnings in the third quarter of fiscal 2008, were due to lower gross profit margins related to lower sales and production volumes, and underutilization of manufacturing operations partially offset by a reduction in operating expenses. The net earnings for the third quarter of fiscal 2009 were favorably affected by approximately $165,000 due to changes in the estimate of the Company's effective tax rate for fiscal 2009.

For the nine months ended June 30, 2009 and 2008

Net sales in the first nine months of fiscal 2009 decreased by $17.1 million, or 18%, to $76.8 million compared to $93.9 million for the same period in fiscal 2008. International sales for the more recent nine-month period were 43% of net sales compared to 53% for the first nine months of fiscal 2008. Decreases in total net sales for the first nine months of fiscal 2009 compared to the same period in the prior year occurred in process systems sales, down $14.2 million, or 35% , in automated inspection systems , down $2.4 million, or 6%, and in parts and service sales, down $534,000, or 3%. The decrease in process systems sales was primarily the result of decreased shipments of vibratory products and other process systems equipment in all major geographic regions. The decrease in automated inspection system sales related significantly to decreased installations of upgrade systems. Automated inspection systems net sales, including upgrade systems, represented 46% of net sales in the first nine months of fiscal 2009 compared to 40% of net sales in the first nine months of fiscal 2008. Process systems represented 35% of net sales in the first nine months of fiscal 2009 compared to 44% of net sales in the first nine months of fiscal 2008. Parts and service accounted for 19% of net sales in the first nine months of fiscal 2009, up from 16% for the same period in fiscal 2008.

New orders for the first nine months of fiscal 2009 decreased $35.6 million, or 34%, to $69.5 million compared to orders of $105.1 million for the first nine months of fiscal 2008. Orders for process systems decreased $18.0 million, or 43%, to $24.3 million compared to $42.3 million in fiscal 2008. Orders for automated inspection systems decreased approximately $16.2 million, or 35%, to $30.5 million compared to $46.7 million in fiscal 2008. Orders for parts and service were $14.7 million, down $1.4 million, or 9%, from $16.1 million in the prior year. The decrease in orders from the prior year for process systems, automated inspection systems, and parts and service related to all major geographic regions, customer markets, and product lines.

Gross profit for the first nine months of fiscal 2009 was $29.0 million compared to $37.8 million in the corresponding period last year. Gross profit as a percentage of net sales in the first nine months of fiscal 2009 decreased to 37.8%, compared to the 40.3% reported for the same period of fiscal 2008. The gross profit decline for the first nine months of fiscal 2009 compared to the same period in fiscal 2008 was primarily due to market driven pricing pressures, lower sales volumes, and underutilization of manufacturing operations, as well as increased customer support costs.

Operating expenses of $29.5 million for the first nine months of fiscal 2009 were 38.3% of sales compared with $31.2 million, or 33.2%, of sales for the first nine months of fiscal 2008. Sales and marketing expenses during the first nine months of fiscal 2009 decreased compared to the prior year primarily as a result of lower commissions related to

lower sales and a lower percentage of sales generated by outside representatives. Research and development expenses increased as the Company continues to invest in new products. General and administrative expenses during the first nine months of fiscal 2009 increased compared to the prior year as a result of work incurred to implement the global ERP system.

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Other expense for the first nine months of fiscal 2009 was $377,000 compared to other income of $1.1 million for the corresponding period in fiscal 2008. Other income (expense) decreased in the nine-month period of fiscal 2009 compared to the corresponding period in fiscal 2008 due to a $345,000 decline in interest income in fiscal 2009 related to lower investment balances, foreign exchange losses of $390,000 incurred in fiscal 2009 compared to foreign exchange gains of $390,000 recognized in fiscal 2008, and gains from reductions of other liabilities in fiscal 2008 which did not occur in fiscal 2009.

Net loss for the first nine months of fiscal 2009 was $446,000, or $0.09 per diluted share. Net earnings for the same period in fiscal 2008 were $5.2 million, or $0.95 per diluted share. In the first nine months of fiscal 2009, the net loss included pre-tax charges of $890,000 related to a workforce reduction and a $343,000 write-off of previously incurred costs associated with a potential facilities expansion. Additionally, the net loss for the first nine months of fiscal 2009, compared to the first nine months of fiscal 2008, included lower gross profit related to lower sales and production volumes, and underutilization of manufacturing operations partially offset by a reduction in operating expenses. The net loss for the first nine months of fiscal 2009 was favorably affected by a $160,000 reduction in tax expense due to changes in tax law enacted in the first quarter of fiscal 2009 to retroactively renew the R & D tax credit.

Liquidity and Capital Resources

In the first nine months of fiscal 2009, net cash decreased by $25.3 million to $11.0 million on June 30, 2009 from $36.3 million on September 30, 2008. Cash used in operating activities was $9.7 million during the nine-month period ended June 30, 2009. Investing activities consumed $12.3 million of cash, including $6.5 million associated with the purchase of the Company's headquarters facility in Walla Walla, Washington. Financing activities used $3.3 million of cash, including $10.0 million for stock repurchases offset by the $6.4 million of proceeds associated with the new mortgage on the Walla Walla headquarters facility and $300,000 of net cash provided by other financing activities. The effect of foreign exchange rate changes on cash was a negative $105,000 during the first nine months of fiscal 2009.

Cash used in operating activities during the nine-month period ended June 30, 2009 was $9.7 million compared to $6.7 million of cash provided by operating activities for the comparable period in fiscal 2008. The primary contributors were the changes in net earnings (loss) and non-cash working capital. For the first nine months of fiscal 2009, there was a net loss of $446,000 compared to net earnings of $5.2 million for the first nine months of fiscal 2008. During the first nine months of fiscal 2009, changes in non-cash working capital used $12.4 million of cash from operating activities. In the first nine months of fiscal 2008, changes in non-cash working capital used $380,000 of cash from operating activities. The major changes in current assets and current liabilities during the first nine months of fiscal 2009 were decreased accounts payable of $3.8 million, accrued payroll liabilities and commissions of $2.5 million, customer deposits of $2.0 million, other accrued liabilities of $934,000, offset by decreased trade receivables of $1.7 million, mostly related to decreased sales and order volumes. In addition, there were increases in inventories of $3.7 million and income tax receivable of $1.0 million. The increase in inventories was primarily attributable to strategic product placements at customer locations and increased parts stock and subassemblies for quick response to customer orders.

The net cash used in investing activities of $12.3 million for the first nine months of fiscal 2009 represents a $9.9 million change from the $2.4 million of net cash used in investing activities in the corresponding period a year ago. The major change in investing activities resulted from the $6.5 million associated with the purchase of the Company's headquarters facility in Walla Walla, which is expected to result in annual cash flow savings of approximately $300,000. In addition, during the first nine months of fiscal 2009, the Company incurred approximately $4.3 million of capitalized expenditures of which $2.8 million related to the ERP implementation. Investing activities in fiscal 2009 also included a $1.5 million capital investment in Proditec SAS.

Net cash used in financing activities during the first nine months of fiscal 2009 was $3.3 million, compared with net cash provided by financing activities of $771,000 during the corresponding period in fiscal 2008. The net cash used in financing activities during the first nine months of fiscal 2009 resulted from the $10.0 million used in the stock repurchase program offset by the $6.4 million of proceeds associated with the new mortgage on the Walla Walla headquarters facility and $300,000 of net cash provided by other financing activities. Financing activities during the first nine months of the prior fiscal year included $661,000 generated from the issuance of common stock relating to employee stock option exercises and $749,000 from excess tax benefits from share-based payments, partially offset by $639,000 used for exchanges of shares for statutory withholding.

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The Company's domestic credit facility provides for a variable-rate revolving credit line of up to $10 million and a credit sub-facility of $6.0 million for standby letters of credit. The credit facility matures on December 1, 2009. The credit facility bears interest, at the Company's option, of either the bank prime rate minus 1.75% or the British Bankers Association LIBOR Rate ("BBA LIBOR") plus 1.0% per annum. At June 30, 2009, the interest rate would have been 1.31% based on the lowest of the available alternative rates. The credit facility is secured by all U.S. accounts receivable, inventory and equipment and fixtures. The credit facilities contain covenants which require the maintenance of a funded debt to EBITDA ratio, a fixed charge coverage ratio and minimum working capital levels. The loan agreement also provides for a 15-year term loan in the amount of $6.4 million. The term loan provides for a mortgage on the Company's Avery Street headquarters' land and building located in Walla Walla, Washington. The term loan bears interest at the BBA LIBOR rate plus 1.4% and matures on January 2, 2024. The Company has also simultaneously entered into an interest rate swap agreement with the lender to fix the interest rate at 4.27%. The loan agreement permits capital expenditures up to a certain level, and contains customary default and acceleration provisions. The credit facilities also restrict acquisitions, incurrence of additional indebtedness and lease expenditures above certain levels without the prior consent of the lender. At June 30, 2009, the Company had no borrowings outstanding under the credit facility and $150,000 in standby letters of credit. At June 30, 2009, the Company was in compliance with its loan covenants.

The Company's credit accommodation with a commercial bank in the Netherlands provides a credit facility for its European subsidiary. This credit accommodation totals $3.5 million and includes an operating line of the lesser of $2.1 million or the available borrowing base, which is based on varying percentages of eligible accounts receivable and inventories, and a bank guarantee facility of $1.4 million. The operating line and bank guarantee facility are secured by all of the subsidiary's personal property. The credit facility bears interest at the bank's prime rate, with a minimum of 3.00%, plus 1.75%. At June 30, 2009, the interest rate was 6.60%. At June 30, 2009, the Company had no borrowings under this facility and had received bank guarantees of $1.4 million under the bank guarantee facility. The credit facility allows overages on the bank guarantee facility. Any overages reduce the available borrowings under the operating line.

The Company's continuing contractual obligations and commercial commitments existing on June 30, 2009 are as follows:

		Payments due by period (in thousands)			
Contractual Obligations (1)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt	$6,272	$316	$673	$734	$4,549
Operating leases	1,981	636	1,098	247	-
Purchase obligations	1,056	1,030	26	-	-
Total contractual cash obligations	$9,309	$1,982	$1,797	$981	$4,549

(1) The Company also has $110,000 of contractual obligations related to uncertain tax positions for which the timing and amount of payment cannot be reasonably estimated due to the nature of the uncertainties and the unpredictability of jurisdictional examinations in relation to the statute of limitations.

The Company anticipates that current cash balances and ongoing cash flows from operations will be sufficient to fund the Company's operating needs in the near term. At June 30, 2009, the Company had standby letters of credit totaling $1.6 million, which includes secured bank guarantees under the Company's credit facility in Europe and letters of credit securing certain self-insurance contracts. If the Company fails to meet its contractual obligations, these bank guarantees and letters of credit may become liabilities of the Company. The Company has no off-balance sheet arrangements or transactions, or arrangements or relationships with "special purpose entities."

Future Accounting Changes

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," to delay the effective date of FASB Statement 157 for one year for certain nonfinancial assets and nonfinancial liabilities, excluding those that are recognized or disclosed in financial statements at fair value on a recurring basis (that is, at least annually). For purposes of applying the FSP, nonfinancial assets and nonfinancial liabilities include all assets and liabilities other than those meeting the definition of a financial asset or a financial liability in FASB Statement 159. This FSP defers the effective date of Statement 157 to fiscal years beginning after

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November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company currently does not believe that the adoption of FAS 157-2 will have a significant effect on its financial statements.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." This position states that unvested share-based payment awards that contain nonforfeitable rights to dividends (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, "Earnings per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. All prior period EPS data will be required to be adjusted to conform to the provisions of this pronouncement and early application is prohibited. The Company does have participating securities as described under this pronouncement and is currently evaluating the impact of FSP EITF 03-6-1.

In December 2007, the Financial Accounting Standards Board ratified a consensus opinion reached by the Emerging Issues Task Force (EITF) on EITF Issue 07-1, "Accounting for Collaborative Arrangements." The guidance in EITF Issue 07-1 defines collaborative arrangements and establishes presentation and disclosure requirements for transactions within a collaborative arrangement (both with third parties and between participants in the arrangement). The consensus in EITF Issue 07-1 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The consensus requires retrospective application to all collaborative arrangements existing as of the effective date, unless retrospective application is impracticable. The impracticability evaluation and exception is to be performed on an arrangement-by-arrangement basis. The Company currently does not believe that the adoption of EITF Issue 07-1 will have a significant effect on its financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) (SFAS 141R), "Business Combinations," and No. 160 (SFAS 160), "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS 141R requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed at fair value on the date of acquisition. Further, SFAS 141R also changes the accounting for acquired in-process research and development assets, contingent consideration, partial acquisitions and transaction costs. Under SFAS 160, all entities are required to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. In addition, transactions between an entity and noncontrolling interests will be treated as equity transactions. SFAS 141R and SFAS 160 will become effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company does not expect the adoption of SFAS 160 to have a significant effect on its financial statements. The adoption of SFAS 141R will affect the Company for any acquisitions made subsequent to the end of fiscal 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company has assessed its exposure to market risks for its financial instruments and has determined that its exposures to such risks are generally limited to those affected by the value of the U.S. dollar compared to the Euro and to a lesser extent the Australian dollar, Mexican peso and Chinese renminbi.

The terms of sales to European customers are typically denominated in Euros. The Company expects that its standard terms of sale to international customers, other than those in Europe, will continue to be denominated in U.S. dollars, although as the Company expands its operations in Australia, Latin America and China, transactions denominated in the local currencies of these countries may increase. For sales transactions between international customers, including

European customers, and the Company's domestic operations, which are denominated in currencies other than U.S. dollars, the Company assesses its currency exchange risk and may enter into forward contracts to minimize such risk. At June 30, 2009, the Company held a 30-day forward contract for €3.5 million. As of June 30, 2009, management estimates that a 10% change in foreign exchange rates would affect net earnings before taxes by approximately $525,000 on an annual basis as a result of converted cash, accounts receivable, loans to foreign subsidiaries, and sales or other contracts denominated in foreign currencies.

As of June 30, 2009, the Euro lost less than 1% in value against the U.S. dollar compared to its value at September 30, 2008. During the nine-month period ended June 30, 2009, changes in the value of the Euro against

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the U.S. dollar ranged between less than a 1% gain and a 10% loss as compared to the value at September 30, 2008. Other foreign currencies showed varied changes in value against the U.S. dollar during the first nine months of fiscal 2009, particularly the Mexican peso which lost 17% in value against the U.S. dollar compared to its value at September 30, 2008 after ranging as high as a 28% loss during the period. The effect of these fluctuations on the operations and financial results of the Company during the first nine-months of fiscal 2009 were:

- Translation adjustments of ($127,000), net of income tax, were recognized as a component of comprehensive income as a result of converting the Euro denominated balance sheets of Key Technology B.V. and Suplusco Holding B.V. into U.S. dollars, and to a lesser extent, the Australian dollar balance sheets of Key Technology Australia Pty Ltd., the RMB balance sheet of Key Technology (Shanghai) Trading Co., Ltd., the Singapore dollar balance sheet of Key Technology Asia-Pacific Pte. Ltd., and the Peso balance sheet of Productos Key Mexicana.

- Foreign exchange losses of $390,000 were recognized in the other income and expense section of the consolidated statement of operations as a result of conversion of Euro and other foreign currency denominated receivables, intercompany loans, and cash carried on the balance sheet of the U.S. operations, as well as the result of the conversion of other non-functional currency receivables, payables and cash carried on the balance sheets of the European, Australian, Chinese, Singapore and Mexican operations.

Compared to historical exchange rates, the U.S. dollar is still in a relatively weak position on the world markets. A relatively weaker U.S. dollar makes the Company's U.S.-manufactured goods relatively less expensive to international customers when denominated in U.S. dollars or potentially more profitable to the Company when denominated in a foreign currency. On the other hand, materials or components imported into the U.S. may be more expensive. A relatively weaker U.S. dollar on the world markets, especially as measured against the Euro, may favorably affect the Company's market and economic outlook for international sales. Conversely, when the dollar strengthens on the world markets, the Company's market and economic outlook for international sales could be negatively affected as export sales to international customers become relatively more expensive. The Company's Netherlands-based subsidiary transacts business primarily in Euros and does not have significant exports to the U.S, but does import a significant portion of its products from its U.S.-based parent company.

Under the Company's current credit facilities, the Company may borrow at either the lender's prime rate minus 175 basis points or at BBA LIBOR plus 100 basis points on its domestic credit facility and at the lenders prime rate plus 175 basis points on its European credit facility. At June 30, 2009, the Company had no borrowings under these arrangements. During the nine-month period ended June 30, 2009, interest rates applicable to these variable rate credit facilities ranged from 1.31% to 8.15%. At June 30, 2009, the rate was 1.31% on its domestic credit facility and 6.60% on its European credit facility based on the lowest of the available alternative rates. The Company's mortgage bears interest at the BBA LIBOR plus 140 basis points, but the Company simultaneously entered into an interest rate swap agreement with the lender to fix the interest rate at 4.27%. As of June 30, 2009, management estimates that a 100 basis point change in these interest rates would not affect net income before taxes because the Company had no borrowings outstanding under its variable interest rate credit facilities and the interest rate swap effectively converts its variable rate mortgage to a fixed rate mortgage.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the disclosure controls and procedures relating to the Company at June 30, 2009 and concluded that such controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports filed or submitted by the Company under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's

rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the third quarter of fiscal 2009, the Company implemented an enterprise resource planning system in all its primary operating locations, both in the United States and Europe. The implementation resulted in a material change to the Company's system of internal control over financial reporting in the third quarter, and subsequent to implementation the Company continued to further revise its internal control process and procedures in order to

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supplement its processing capabilities within the new system in that quarter. Throughout the remainder of the fiscal year, the Company will continue to improve and enhance its system of internal control over financial reporting. The Company believes that the ERP system will enable the Company to simplify and strengthen its system of internal control over financial reporting.

As of the end of fiscal 2009, the Company will no longer be considered an accelerated filer under the rules and regulations of the SEC. As a non-accelerated filer, the Company will not be required to obtain an independent auditor attestation report on the Company's internal control over financial reporting for fiscal 2009. The Company will again become subject to this requirement for fiscal 2010 under current SEC rules and regulations.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases made by or on behalf of the Company during the quarter ended June 30, 2009 of equity securities registered by the Company under Section 12 of the Securities Exchange Act of 1934.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs	
April 1 – 30, 2009	419	$10.13	0		
May 1 – 31, 2009	761	$12.80	0		
June 1 – 30, 2009	0	-	0		
Total	1,180	$11.85	0	78,750	(2)

(1) Consists only of shares of restricted stock surrendered to satisfy tax withholding obligations by plan participants under the 2003 Restated Employees' Stock Incentive Plan. The shares are subsequently cancelled and retired.
(2) The Company initiated a stock repurchase program effective November 27, 2006. The Company was authorized to purchase up to 500,000 shares of its common stock under the program. Pursuant to the program, the Company repurchased 88,252 shares in fiscal 2007. The Company did not repurchase any shares in fiscal 2008. During the first quarter of fiscal 2009, the Board of Directors restored the number of shares that may be repurchased to the original 500,000 share amount, and subsequently increased the number of shares that may be repurchased under the share repurchase program to 750,000 shares. The program does not incorporate a fixed expiration date.

ITEM 6. EXHIBITS

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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.

KEY TECHNOLOGY, INC.
(Registrant)

Date: August 7, 2009

By /s/ David M. Camp
David M. Camp
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2009

By /s/ John J. Ehren
John J. Ehren
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

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