Starrett®

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30TH, 2020

PRECISION, QUALITY, INNOVATION

PRECISION HAND TOOLS

Generations of craftsmen and toolmakers have relied on Starrett precision tools. With proven quality and expert technical support, Starrett is the name chosen by serious professionals to guarantee repeatability and accuracy in their precision hand tools.

VISION AND OPTICAL

With the unbeatable combination of precision mechanics, powerful and intuitive software, Starrett Vision and Optical Systems take video-based and multi-sensor measuring systems to the next level.

BAND SAW BLADES

A range of innovative new technologies and blades with measurable productivity advantages push the Starrett brand to the forefront of the saw industries.

JOBSITE AND WORKSHOP

Starrett has a diverse selection of tapes, levels, protractors, utility knives, hand saw blades and other construction products. Starrett makes its mark in the jobsite and workshop trades.

POWER TOOL ACCESSORIES

With tools such as diamond edge hole saws, Dual-Cut® jig saw blades and a variety of reciprocating blades, Starrett has become a global leader in power tool industries.

GAGE BLOCKS AND GRANITE SURFACE PLATES

A complete range of Steel, Ceramic and Chromium Carbide gage blocks are available along with a variety of granite surface plates designed specifically for quality control labs globally.

TEST EQUIPMENT

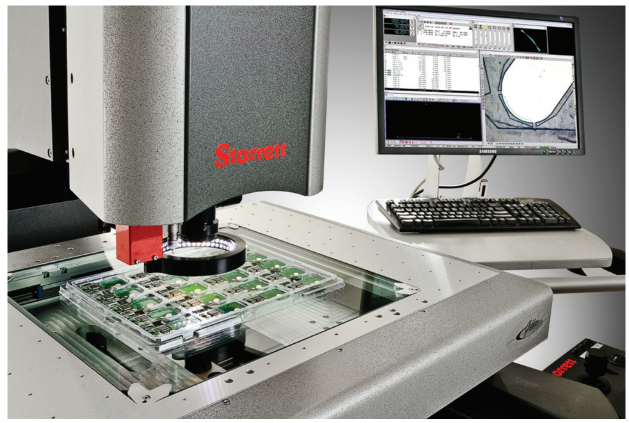
Material testing and force measurement systems are available in capacities up to 50kN (11,200lbf). These systems are used in the lab or on the production floor.

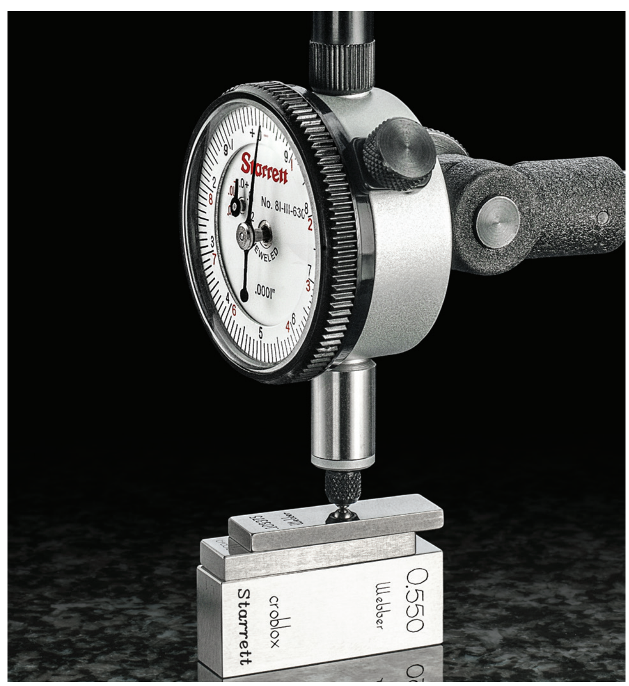
LASER MEASUREMENT

In-line, real-time, non-contact measurement systems for continuously monitoring key profile dimensions in complex shapes such as rubber, ceramic, plastic, and wood-plastic composite extrusions, roll-formed metal profiles and profiled wire.

CUSTOM SOLUTIONS

Our Engineers will create a custom tool to fit your specifications.





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PRESIDENT'S LETTER

TO STARRETT STOCKHOLDERS AND ALL STARRETT PERSONNEL:

Fiscal 2020 was a year of significant change in our business following a resurgent year in Fiscal 2019. We began the year with a new corporate structure and by December, our new management team was in place and committed to leveraging the structural changes implemented in the business in the last two years. Between FY 2017 – 2019, sales grew at a 5% compound annual rate and EBITDA doubled over that period. The world changed dramatically for all of us starting in January and accelerating in March, when the Coronavirus was declared a pandemic. Sales declined dramatically in the wake of the pandemic and we finished with revenues of $201.5 million, a decline of 11.6% from the prior year. Our new leadership team and our global associates managed our businesses extraordinarily well, given the uncertainty of the pandemic's shifting sands and imperfect information. The breadth, depth and scope of the pandemic was unfathomable for most of us. The emotional impact cut across all walks of life, from grandparents to grandchildren, with intrusions on our lives that society was not prepared for.

The first order of business was protecting the health and safety of our 1,600 global teammates and the Company. Given the fluidity of each situation, our global management teams were given autonomy to keep our people safe and to reduce the spread of the virus. We instituted safety protocols following local guidance. All non-essential travel (including sales personnel), meetings and events were canceled. In our facilities, we continue to limit visitation, practice social distancing, use enhanced sanitation protocols, eliminate or limit in-person meetings, encourage the use of face coverings and working remotely where possible. Our prompt attention and proactive steps taken have helped mitigate risk and protected the health and safety of our valued employees, customers, distributors and communities. From the onset of the pandemic, with few exceptions, our Company has continued operations globally, as an essential industry supporting critical infrastructure and first responders. We are not yet out of the woods, but we could not have done this without the cooperation of all our associates.

Simultaneously, we took prompt measures to protect the Company and cash. In April and May, in response to the steep decline of incoming orders, we adjusted our cost structure to align with demand. This included layoffs, furloughs, reduced work hours and wage and salary reductions, which will remain in place until we are confident that we see clear evidence of a sustainable recovery. These actions stabilized our cash burn and with June recovering modestly, we generated over $2.0 million in cash in the month. The pandemic has accelerated planned structural changes to right size the business to the current economic environment. These restructuring plans will entail further plant consolidation and corresponding headcount reductions throughout Fiscal 2021. The financial repercussions of the pandemic have triggered both cash and non-cash decrements in Fiscal 2020 and 2021. The most significant non-cash items this fiscal year are $16.7 million of pension expense related to the substantial decline in the discount rate and $6.5 million of goodwill and intangible asset impairment. In addition, the Company incurred a cash charge of approximately $1.6 million relative to the aforementioned restructuring plans. The magnitude of these charges does not accurately reflect how the Company operated during the year. The following table eliminates the impact of these charges.

FINANCIAL RESULTS

Our earnings (as mentioned above) were impacted by significant cash and non-cash charges this fiscal year, the majority of which were incurred in the fourth quarter. The results, as reported under "Generally Accepted Accounting Principles" (GAAP) in the attached 10-K, include these fourth quarter pension charges and are as follows: Sales in Fiscal 2020 were $201.5 million, a decrease of $26.6 million or 11.6%, all the decline in the second half of the year, the majority in the fourth quarter. Income before tax was a loss of $20.0 million (attributable to the aforementioned cash and non-cash charges), a decrease of $29.6 million from income of $9.6 million in Fiscal 2019. Net income was a loss of $21.8 million ($3.14 per share) compared to $6.1 million ($0.87 per share) in Fiscal 2019.

The Company's non–GAAP financial results in the table below exclude the Fiscal 2020 fourth quarter cash and non-cash charges related to the pandemic and our restructuring efforts. This non–GAAP view provides a clearer picture of our results in comparison to last year, which is as follows: Sales in Fiscal 2020 were $201.5 million, a decrease of $26.6 million or 11.6% as a result of the pandemic. Income before tax was $4.8 million, a decrease of $4.8 million (50%) from $9.6 million in Fiscal 2019. Net income was $3.4 million ($0.48 per share) compared to $6.1 million ($0.87 per share) in Fiscal 2019.

	FY20 FOURTH QUARTER $m						FY20 FULL FISCAL YEAR $m					
	Reported	*One-Time Adjustments*			*Operational Comparison*		*Reported*	*One-Time Adjustments*			*Operational Comparison*	
	FY2020 GAAP	*Goodwill and Intangible Impairment*	*Restructuring*	*Non-Cash Pension Adjustment*	FY2020 Non-GAAP	FY2019 GAAP	FY2020 GAAP	*Goodwill and Intangible Impairment*	*Restructuring*	*Non-Cash Pension Adjustment*	FY2020 Non-GAAP	FY2019 GAAP
Net Sales	42.5				42.5	61.1	201.5				201.5	228.0
Gross Margin	11.0				11.0	20.6	62.2				62.2	74.9
- as % of Sales	*26.0%*				*26.0%*	*33.7%*	*30.9%*				*30.9%*	*32.9%*
SG&A Expense	20.6	*6.5*	*1.6*		12.5	17.2	67.5	*6.5*	*1.6*		59.4	63.7
Operating Income	-9.6				-1.5	3.4	-5.3				2.8	11.2
Other Income (expense)	-13.9			*16.7*	2.8	-0.7	-14.7			*16.7*	2.0	-1.6
Taxes*	1.1				0.4	1.2	1.8				1.4	3.5
Net Earnings (Loss)	-24.5				1.0	1.5	-21.8				3.4	6.1
- Earnings (Loss) per Share ($)	*(3.52)*				*0.14*	*0.21*	*(3.14)*				*0.48*	*0.87*

** Non-GAAP taxes adjusted to average effective tax rate of the sum of Operating Income and Other Income*

PENSION

Given the magnitude of the $16.7 million pension charge, I thought best to remind you that we adopted mark-to-market as the method for our pension accounting in 2011, and that going forward, we would treat the gains and losses as a period expense within the given fiscal year. Our pension accounting is driven by three factors – service costs of the pension, expected return on the pension assets and the discount rate. The Company has some control over the first two factors – not so with the discount rate, which dropped to 2.73% this year versus last year's 3.56%, a historic low.

Related to the discount rate, for several years coming into 2020, the U.S. Federal Reserve's (FED) continued easy money policy (and resulting low rate environment), record corporate debt issuance and strong investment demand for yield from global markets, have maintained downward pressure on interest rates. This year, the FED's massive and unprecedented stimulus measures launched to 1) keep markets functioning amid the initial market panic when normal activity had essentially frozen and 2) support the economy through the COVID-19 crisis, have exacerbated that trend to record low levels. The combination of low treasury rates and tight credit spreads translate into low pension discount rates.

FINANCIAL CONDITION

Our financial condition remains healthy with a current ratio of 3.7 to 1 and a net working capital of $76.3 million. In addition to normal earnings retained in the business, fluctuations in foreign currency and pension can have a significant effect on our book value per share. This year, book value per share declined to $6.58 at the end of this year, compared to $12.09 last year, driven principally by pension expense, restructuring charges and foreign exchange loss. The Company's cash decreased $2.1 million to $13.5 million.

INVESTMENTS

Capital expenditures for plant and equipment were $9.3 million in Fiscal 2020, an increase of $3.5 million from $5.8 million in Fiscal 2019. Software development costs were $1.3 million in Fiscal 2020, level with 2019.

EMPLOYEE STOCKHOLDERS

During Fiscal 2020, options for 20,615 shares were exercised by employees through the Employee Stock Purchase Plan (ESPP). As of June 30, 2020, employees of the Company hold options under the ESPP for 99,193 shares that can be exercised over the next two years. Our experience over the years has been that employee stock ownership contributes to the success of the Company, which is good for all stockholders and employees.

TREASURY STOCK

Given the impact of the pandemic and our corresponding cash needs, we have suspended the purchase of Company stock on the open market. Under normal times, the Company acquires additional shares from time to time, both on the New York Stock Exchange and in private transactions, to have stock available for miscellaneous corporate purposes and to reduce the dilutive effect on existing shareholders of the issuance of shares under the various employee stock ownership plans.

RESTRUCTURING

Our restructuring initiatives are focused on achieving a cost structure that will deliver sustainable operating income and cash generation to emerge from the pandemic a stronger company with the resources to reinvest in our business for future growth. These rightsizing efforts will be complete in our third quarter of FY 2021 and will consist of:

- Facility cost reductions and manufacturing footprint rationalization.
- Reduction in global employment of 14% to approximately 1,400 associates.
- Preservation of cash by lowering capital expenditures by $5.0 million dollars in the fiscal year.
- Flexing hours and headcount across direct, indirect and selling and general administrative staffing to match demand and meet delivery requirements.

These actions will result in the business being profitable at FY 2020 run rates and we expect to realize significant EBITDA improvements when we return to pre-pandemic revenue levels.

LEADERSHIP

We have had a number of changes in our senior leadership team and Board this year. John Tripp – CFO, and David Allen – VP-Starrett Metrology Systems, joined the Company in November. John and David's appointments came at the most difficult time imaginable, with work-from-home mandates and virtual meetings a requirement, making their on-boarding extraordinarily challenging. They have handled the pandemic environment with aplomb and I look forward to working with them to execute our restructuring efforts to ensure our post–COVID future is bright.

During calendar 2020, our Board of Directors has and will undergo change as part of our succession plan. Terry Piper stepped down effective June 30, 2020, succeeded by Scott Sproule. Dave Lemoine will resign from the Board effective October 14, 2020 succeeded by Deborah Gordon. We will miss both Terry and Dave's wisdom and guidance and wish them long and healthy retirements. Both Scott and Deborah bring new skills and expertise to the Board and we look forward to their engagement.

BUSINESS AND POLITICS

Discussing politics is a toxic subject in these times, but our country and our Company's health are dependent on the political landscape. They say a crisis reveals character and the Coronavirus pandemic has brought out the worst in our elected officials. With the November elections looming, both sides of the aisle are leveraging the health crisis for political gain. The associated federal pandemic financial relief package should have been a thoughtful and measured response; instead, the bi-partisan reelection plan was to print $2.0 trillion in cash and distribute it all over the country, whether you needed it or not. Paying people more for sitting on their backsides than when they are working is our politician's version of "bread and circus."

It’s fair to say that the voting public is again not enamored with our choices for a presidential ticket. As such, expectations of a large voter turnout may not materialize, as the voting public may suffer the paradox of “Buridan's ass,” the exception being the proverbial donkey had more appealing choices. Holding your nose when you go to the polls is not acceptable. The question is, why is there a dearth of talent willing to run for President? That issue lies at the feet of the “Fourth Estate.” After four years of President Trump, we know what we will get and it’s no secret what we will get with a Biden-Harris presidency – a bigger and more intrusive government. This was summed up in a few phrases by Ronald Reagan years ago on big government: “If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.”

LOOKING FORWARD

Recovery will come. No one knows when and what this will look like. There has been a lot of rhetoric around the “new normal”; that will be defined by the industry you are in, and markets that you serve. The Coronavirus (COVID-19) pandemic will change the global economy, how business is conducted and the way we work in the future. Working from home and virtual meetings will be far more prevalent, depending on industry; and the growth trajectory of B2B and B2C ecommerce will continue to increase. The pandemic has also provided a lens on what functions add value and those that do not. Manufacturing businesses like Starrett will still need bricks and mortar to make things; however, automation will continue to accelerate, making scale more important.

We are preparing now for our post-COVID-19 future. Re-organizing the Company will be on-going, as we evaluate where we do business, how we do business and how well we do business. We expect a slow but steady increase in revenue in FY 2021, the caveat being a surge in COVID-19. Our footprint rationalization initiatives will create a world class saw business of scale. Recovery in our metrology business will lag our saw business, because of the higher level of capital spend requirements.

CLOSING THOUGHTS

This is not how I envisioned we would be celebrating our 140th anniversary; however, our Company is one of a few that has been around long enough to have experienced the pandemic of 1918, at a time when our country and the world were also fighting a world war. We persevered then, as we will now. We are taking tough measures now so that we can emerge from this crisis in a position to thrive in the future for all of our stakeholders.

D.A. Starrett

President and CEO

FINANCIAL HIGHLIGHTS (IN THOUSANDS EXCEPT PER SHARE DATA)

Operations for the Years Ended in June		2020		2019
Net sales	$	201,451	$	228,022
Net earnings (loss)	$	(21,839)	$	6,079
Basic and diluted earnings (loss) per share	$	(3.14)	$	0.87

At Year End				
Net working capital	$	76,264	$	87,295
Stockholders' equity	$	45,983	$	83,379
Book value per share	$	6.58	$	12.09
Number of employees		1,485		1,603
Approximate number of stockholders		1,960		1,994
Common shares outstanding		6,987,705		6,896,102

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Statistics (in thousands except per share data)

Years Ended in June		2020		2019		2018		2017		2016
Net sales	$	201,451	$	228,022	$	216,328	$	207,023	$	209,685
Net earnings (loss)	$	(21,839)	$	6,079	$	(3,633)	$	991	$	(14,130)
Basic earnings (loss) per share	$	(3.14)	$	0.87	$	(0.52)	$	0.14	$	(2.01)
Diluted earnings (loss) per share	$	(3.14)	$	0.87	$	(0.52)	$	0.14	$	(2.01)
Long-term debt	$	26,341	$	17,541	$	17,307	$	6,095	$	17,109
Total assets	$	172,683	$	190,087	$	182,286	$	192,665	$	201,598
Dividends per share	$	0.00	$	0.00	$	0.20	$	0.40	$	0.40

FINANCIAL REPORT

QUARTERLY FINANCIAL DATA (UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE DATA)

Quarter Ended	Net Sales	Gross Profit	Earnings Before Income Taxes	Net Earnings	Earnings Per Share	Market Price High	Market Price Low
Sep-18	$ 51,901	$ 16,659	$ 942	$ 584	$ 0.08	$6.70	$5.96
Dec-18	56,532	18,548	2,991	1,926	0.27	6.95	4.65
Mar-19	58,498	19,155	3,045	2,088	0.30	8.48	5.40
Jun-19	61,091	20,579	2,632	1,481	0.22	8.20	6.62
	$ 228,022	$ 74,941	$ 9,610	$ 6,079	$ 0.87		
Sep-19	$ 52,114	$ 17,703	$ 1,276	$ 778	$ 0.11	$6.90	$5.25
Dec-19	56,864	18,836	1,875	1,260	0.18	6.03	5.23
Mar-20	49,998	14,844	287	613	0.09	6.03	3.03
Jun-20	42,475	10,827	(23,435)	(24,490)	(3.52)	4.09	3.02
	$ 201,451	$ 62,210	$ (19,997)	$ (21,839)	$ (3.14)		

The Company's Class A common stock is traded on the New York Stock Exchange – Symbol SCX

10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(check one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from __________ to __________**

Commission File No. 1-367

THE L.S. STARRETT COMPANY
(Exact name of registrant as specified in its charter)

MASSACHUSETTS **(State or other jurisdiction of incorporation or organization)**	**04-1866480** **(I.R.S. Employer Identification No.)**
121 CRESCENT STREET, ATHOL, MASSACHUSETTS **(Address of principal executive offices)**	**01331** **(Zip Code)**

Registrant's telephone number, including area code 978-249-3551

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common - $1.00 Per Share Par Value	SCX	New York Stock Exchange
Class B Common - $1.00 Per Share Par Value	Not applicable	Not applicable

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer ☐ Accelerated Filer ☐
Non-Accelerated Filer ☐ Smaller Reporting Company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The Registrant had 6,279,632 and 681,219 shares, respectively, of its $1.00 par value Class A and B common stock outstanding on December 31, 2019. On December 31, 2019, the last business day of the Registrant's second fiscal quarter, the aggregate market value of the common stock held by non-affiliates was approximately $35,722,784.

There were 6,329,317 and 657,270 shares, respectively, of the Registrant's $1.00 par value Class A and Class B common stock outstanding as of September 4, 2020.

The exhibit index is located on pages 58-59.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant intends to file a definitive Proxy Statement for the Company's 2020 Annual Meeting of Stockholders within 120 days of the end of the fiscal year ended June 30, 2020. Portions of such Proxy Statement are incorporated by reference in Part III.

THE L.S. STARRETT COMPANY

FORM 10-K

FOR THE YEAR ENDED JUNE 30, 2020

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All references in this Annual Report to “Starrett”, the “Company”, “we”, “our” and “us” mean The L.S. Starrett Company and its subsidiaries.

PART I

Item 1 - Business

General

Founded in 1880 by Laroy S. Starrett and incorporated in 1929, The L.S. Starrett Company (the "Company") is engaged in the business of manufacturing over 5,000 different products for industrial, professional and consumer markets. The Company has a long history of global manufacturing experience and currently operates 4 major global manufacturing plants. The one domestic location is in Athol, Massachusetts (1880) and the international operations are located in Itu, Brazil (1956), Jedburgh, Scotland (1958) and Suzhou, China (1997). All subsidiaries principally serve the global manufacturing industrial base with concentration in the metalworking, construction, machinery, equipment, aerospace and automotive markets.

The Company offers its broad array of measuring and cutting products to the market through multiple channels of distribution throughout the world. The Company's products include precision tools, electronic gages, gage blocks, optical vision and laser measuring equipment, custom engineered granite solutions, tape measures, levels, chalk products, squares, band saw blades, hole saws, hacksaw blades, jig saw blades, reciprocating saw blades, M1® lubricant and precision ground flat stock. The Company primarily distributes its precision hand tools, saw and construction products through distributors or resellers both domestically and internationally. Starrett® is brand recognized around the world for precision, quality and innovation.

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 280, *Segment Reporting*, for the fiscal year ended June 30, 2020 (fiscal 2020), we determined that we have two reportable operating segments (North America and International). Refer to Note 17, *Financial Information by Segment & Geographical Area*, contained in the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, for more information on our reportable segments.

Products

The Company's tools and instruments are sold throughout North America and in over 100 other countries. The largest consumer of these products is the manufacturing industry including metalworking, aerospace, medical, oil and gas, government and automotive. Other important consumers are marine and farm equipment shops, do-it-yourselfers and tradesmen such as builders, carpenters, plumbers and electricians.

For 140 years, the Company has been a recognized leader in providing measurement and cutting solutions to industry. Measurement tools consist of precision instruments such as micrometers, vernier calipers, height gages, depth gages, electronic gages, dial indicators, steel rules, combination squares, custom, non-contact gaging such as vision, optical and laser measurement systems. The Company believes advanced, non-contact systems with easy-to use software will be attractive to industry to reduce measurement and inspection time and are ideal for quality assurance, inspection labs, manufacturing and research facilities. Skilled personnel, superior products, manufacturing expertise, innovation and unmatched service has earned the Company its reputation as the "Best in Class" provider of measuring application solutions for industry.

The Company's saw and hand tool product lines enjoy strong global brand recognition and market share. These products encompass a breadth of uses. The Company introduced several new products in the recent past including a new line of hand tools for measuring, marking and layout that include tapes, levels, chalk lines and other products for the building trades. The Company also introduced new products to its hand tool portfolio to extend its reach into the construction and retail trades. The continued focus on high performance, production band saw applications has resulted in the development of two new ADVANZ carbide tipped products MC5 and MC7 ideal for cutting ferrous materials (MC7) and non-ferrous metals and castings (MC5). These actions are aimed at positioning the Company for global growth in wide band products for production applications.

Over the last couple of years, the Company has launched new products such as abrasive cut-off wheels and butcher knives amongst others, to become more product diverse as well as investing in new distribution channels and industries such as the Food Industry with, in addition to meat and fish cutting blades, a variety of products such as butter knives, skinner and slicer blades, bandsaw machines and related products. The Company has also invested in new channels taking its traditional products such as Bi-metal bandsaws and its Power Tool Accessories product lines into welding and eCommerce channels.

As one of the premier industrial brands, the Company continues to be focused on every touch point with its customers. To that end, the Company now offers modern, easy-to-use interfaces for distributors and end-users including interactive catalogs and several online applications.

Personnel

At June 30, 2020, the Company had 1,485 employees, approximately 48% of whom were domestic. This represents a net decrease from June 30, 2019 of 118 employees. The headcount change included a decrease of 114 domestically and 4 internationally. The Company expects to reduce headcount in fiscal 2021 consistent with the restructuring plan discussed in Note 9 "Restructuring Cost" to the Consolidated Financial Statements.

None of the Company's operations are subject to collective bargaining agreements. In general, the Company considers relations with its employees to be excellent. Domestic employees hold shares of Company stock resulting from various stock purchase plans and employee stock ownership plans. The Company believes that this dual role of owner-employee has strengthened employee morale over the years.

Competition

The Company competes on the basis of its reputation as the best in class for quality, precision and innovation combined with its commitment to customer service and strong customer relationships. To that end, Starrett is increasingly focusing on providing customer centric solutions. Although the Company is generally operating in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by specific market since none of its competitors offer all of the same product lines offered by the Company or serve all of the markets served by the Company.

The Company is one of the largest producers of mechanics' hand measuring tools and precision instruments. In the United States, there are three major foreign competitors and numerous small companies in the field. As a result, the industry is highly competitive. During fiscal 2020, there were no material changes in the Company's competitive position. The Company's products for the building trades, such as tape measures and levels, are under constant margin pressure due to a channel shift to large national home and hardware retailers. The Company has responded to such challenges by expanding its manufacturing operations in China. Certain large customers also offer their own private labels "own brand" that compete with Starrett branded products. These products are often sourced directly from low cost countries.

Saw products encounter competition from several domestic and international sources. The Company's competitive position varies by market and country. Continued research and development, new patented products and processes, strategic acquisitions and investments and strong customer support have enabled the Company to compete successfully in both general and performance applications.

Foreign Operations

The operations of the Company's foreign subsidiaries are consolidated in its financial statements. The subsidiaries located in Brazil, Scotland and China are actively engaged in the manufacturing and distribution of precision measuring tools, saw blades, optical and vision measuring equipment and hand tools. Subsidiaries in Canada, Australia, New Zealand, Mexico, and Singapore are engaged in distribution of the Company's products. The Company expects its foreign subsidiaries to continue to play a significant role in its overall operations. A summary of the Company's foreign operations is contained in Note 17 "Financial Information by Segment & Geographic Area" to the Company's Consolidated Financial Statements.

Orders and Backlog

The Company generally fills orders from finished goods inventories on hand. Sales order backlog to fulfillment for the Company is shorter than many industries. As of June 30, 2020, backorders in our U.S. Precision Tools and Saws Manufacturing "Core U.S." business were approximately $3.7 million or $2.9 million below fiscal 2019. Total Company inventories amounted to $53.0 million at June 30, 2020 and $61.8 million at June 30, 2019.

Intellectual Property

When appropriate, the Company applies for patent protection on new inventions and currently owns a number of patents. Its patents are considered important in the operation of the business, but no single patent is of material importance when viewed from the standpoint of its overall business. The Company relies on its continuing product research and development efforts, with less dependence on its current patent position. The Company has, for many years, maintained engineers and supporting personnel engaged in research, product development and related activities. The expenditures for these activities during fiscal years 2020, 2019, and 2018 were approximately $3.8 million, $3.7 million, and $3.6 million, respectively.

The Company uses trademarks with respect to its products and considers its trademark portfolio to be one of its most valuable assets. All of the Company's important trademarks are registered and rigorously enforced.

Environmental

Compliance with federal, state, local, and foreign provisions that have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to protection of the environment is not expected to have a material effect on the capital expenditures, earnings and competitive position of the Company. The Company seeks to reduce, control and treat water discharges and air emissions.

Strategic Activities

Globalization has had a profound impact on product offerings and buying behaviors of industry and consumers in North America and around the world, resulting in the Company revising its strategy to fit this, highly competitive business environment. The Company continuously evaluates most aspects of its business, aiming for new ideas to set itself apart from its competition.

The Company's strategic concentration is to continue building a global brand and providing unique customer value propositions through technically supported application solutions for our customers. The Company's job is to recommend and produce the best suited standard product or to design and build custom solutions. The combination of the right tool for the job with value added service maintains the Company's competitive advantage. The Company continues its focus on lean manufacturing, plant consolidations, global sourcing, new software and hardware technologies, and improved logistics to optimize its value chain.

The execution of these strategic initiatives has expanded the Company's manufacturing and distribution in developing economies, resulting in international sales revenues totaling 43% of consolidated sales for fiscal 2020.

SEC Filings and Certifications
The Company makes its public filings with the Securities and Exchange Commission "SEC", including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at its website, www.starrett.com, as soon as reasonably practicable after the Company files such material with the SEC. Information contained on the Company's website is not part of this Annual Report on Form 10-K.

Item 1A – Risk Factors

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K and the Company's 2020 Annual Report to Stockholders, including the President's letter, contain forward-looking statements about the Company's business, competition, sales, gross margins, capital expenditures, foreign operations, plans for reorganization, interest rate sensitivity, debt service, liquidity and capital resources, and other operating and capital requirements. In addition, forward-looking statements may be included in future Company documents and in oral statements by Company representatives to security analysts and investors. The Company is subject to risks that could cause actual events to vary materially from such forward-looking statements, including the following risk factors:

Risks Related to Our Company and Financial Position

We operate in a highly competitive environment, which could adversely affect our sales and pricing if we fail to compete effectively in the future.

We operate in a highly competitive environment. We compete on the basis of a variety of factors, including product performance, customer service, quality and price. Additionally, the Company's products for the building trades, such as tape measures and levels, are under constant margin pressure due to a channel shift to large national home and hardware retailers. Certain large customers also offer their own private labels "own brand" that compete with Starrett branded products. There can be no assurance that our products will be able to compete successfully with other companies' products. Thus, our share of industry sales could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively or our failure to produce our products at a competitive cost. Lack of customer acceptance of price increases we announce from time to time, changes in customer requirements for price discounts, changes in our customers' behavior or a weak pricing environment could have an adverse impact on our business, results of operations and financial condition. In addition, our results and ability to compete may be impacted negatively by changes in our geographic and product mix of sales.

Economic weakness in the industrial manufacturing sector could adversely affect the Company's financial results.

The market for most of the Company's products is subject to economic conditions affecting the industrial manufacturing sector, including the level of capital spending by industrial companies and the general movement of manufacturing to low cost foreign countries where the Company does not have a substantial market presence. Accordingly, economic weakness in the industrial manufacturing sector may, and in some cases has, resulted in decreased demand for certain of the Company's products, which adversely affects sales and performance. Economic weakness in the consumer market will also adversely impact the Company's performance. In the event that demand for any of the Company's products declines significantly, the Company could be required to recognize certain costs as well as asset impairment charges on long-lived assets related to those products.

The novel coronavirus disease (COVID-19) pandemic is expected to have a material adverse effect on our business and results of operations.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. We expect the COVID-19 pandemic to have a material adverse impact on our business and financial performance. The extent of the impact of the COVID-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, which are uncertain and cannot be predicted.

As a result of the COVID-19 pandemic and in response to government mandates or recommendations, we have initiated several measures to protect the health and safety of our employees, consumers and communities that has negatively impacted our business, including following state guidelines for social distancing such as, but not limited to, modifying shift schedules, supporting office-base employees working remotely, educating employees and making accommodations related to personal and workplace hygiene, mandating the wearing of masks, daily monitoring of employee's temperature and regularly communicating accordingly. To immediately address the immediate financial crisis management implemented plans globally in an effort to control variable cost and to preserve cash. These actions included, but are not limited to, wage and salary reductions, furloughs, reduced work weeks and layoffs.

Adverse global economic conditions and world events could affect our operating results, industry and business.

The Company's results of operations have been and may continue to be materially affected by the conditions in the global economy. The demand for our products and services has in the past and continues to be significantly reduced in periods of economic weakness characterized by lower levels of government and business investment, lower levels of business confidence, lower corporate earnings, high real interest rates, lower credit activity or tighter credit conditions, perceived or actual industry overcapacity, higher unemployment and lower consumer spending. During the June quarter 2020 the Company initiated restructuring plans and recorded an impairment of goodwill and intangible assets at two of its reporting units due in large part to the pandemic. Economic conditions vary across regions and countries, and demand for our products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in the global mix of regions and countries experiencing economic growth and investment could have an adverse effect on our business, results of operations and financial condition.

The metalworking, construction, machinery, equipment, aerospace and automotive industries are major users of our products. Customers in these industries frequently base their decisions to purchase our products and services on the expected future performance of these industries, which in turn are dependent in part on commodity prices. Prices of commodities in these industries are frequently volatile and can change abruptly and unpredictably in response to general economic conditions and trends, government actions, regulatory actions, commodity inventories, production and consumption levels, technological innovations, commodity substitutions, market expectations and any disruptions in production or distribution or changes in consumption. Economic conditions affecting the industries we serve have in the past and may in the future also lead to reduced capital expenditures by our customers. Reduced capital expenditures by our customers are likely to lead to a decrease in the demand for our products and services and may also result in a decrease in demand for aftermarket parts as customers are likely to extend preventative maintenance schedules and delay major overhauls when possible. The rates of infrastructure spending and commercial construction also play a significant role in our results. Our products are an integral component of these activities, and as these activities decrease, demand for our products may be significantly impacted, which could negatively impact our results.

Sustained increases in funding obligations under the pension plans may impair our liquidity or financial condition.

The Company maintains certain defined benefit pension plans in both the United States and the United Kingdom for the benefit of its employees. Defined benefit pension plans impose certain funding obligations on the Company. The Company froze the domestic defined benefit pension plan as of December 31, 2016, and therefore no future benefits will accrue to employees under that plan. Additionally, the Company limited eligibility under the postretirement benefit plan as of December 31, 2013, reducing the liability for the plan. Nevertheless, the Company expects to be required to provide more funding to the domestic pension (and postretirement) plan in the future.

The Company's U.S. defined benefit pension plan is underfunded primarily due to lower discount rates which increase the Company's liability. The Company made contributions of $6.8 million in fiscal 2020, and $4.4 million in fiscal 2019 and will be required to make additional contributions in fiscal 2021 of $7.0 million for the U.S. defined benefit pension plan. The Company's United Kingdom pension plan, which is also underfunded, required Company contributions of $0.9 million and $1.0 million during fiscal 2020 and 2019, respectively. The Company expects to make a $0.9 million contribution to its United Kingdom pension plan in fiscal 2021.

In determining our future payment obligations under the plans, we assume certain rates of return on the plan assets and a certain level of future benefit payments. Significant adverse changes in credit or capital markets could result in actual rates of return being materially lower than projected and result in increased contribution requirements. Our assumptions for future benefit payments may also change over time, and could be materially higher than originally projected.

We expect to make contributions to our pension plans in the future, and may be required to make contributions that could be material. We may fund contributions through the use of cash on hand, the proceeds of borrowings, shares of our common stock, or a combination of the foregoing, as permitted by applicable law. We may also explore other strategic alternatives in order to address expected pension liability, including de-risking options or acquisitions or sales of assets or divestitures, in order to meet the Company's liquidity needs. Divestitures could result in decreased future revenues and profits, and an obligation to make contributions to our pension plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our operations, financial condition and liquidity.

We are subject to certain risks as a result of our financial borrowings.

As of June 30, 2020, our total indebtedness was $30.9 million as compared to indebtedness of $21.6 million as of June 30, 2019.

As previously disclosed in The L.S. Starrett Company's (the "Company") Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as a result of a decrease in sales related to the COVID-19 epidemic, the Company anticipated potential non-compliance with its fixed charge coverage ratio for the year ended June 30, 2020 under its Loan and Security Agreement (the "Loan Agreement") by and among the Company and its U.S. operating companies (collectively, the "Borrowers") and TD Bank, N.A. ("TD Bank"). On June 25, 2020, the Borrowers and TD Bank entered into an amendment and restatement (the "Amendment and Restatement") of the Loan Agreement. The Amendment and Restatement waived the fixed charge coverage ratio for the quarter ended June 30, 2020. In addition, the Amendment and Restatement clarifies that certain non-cash adjustments to the definition of EBITDA are permitted under the Loan Agreement, as amended In addition, the Amendment and Restatement increases the permitted borrowings from a foreign bank from $5.0 million to $15.0 million and permits the Company to draw the remainder of the outstanding balance under the Loan Agreement, which was approximately $7.2 million as of June 30, 2020.

Pursuant to the terms of the Company's Amended and Restated Loan and Security Agreement of June 25, 2020, the "First Amendment" to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minim um cumulative EBITDA and minimum liquidity covenants in lieu thereof. TD Bank perfected its security interests in the Company's U.S. based assets, increased the maximum interest charged on the Line Of Credit from and annual interest rate of 2.25% plus Libor to 3.50% plus Libor, and amended the borrowing base for the line of credit from 80% of Qualified AR and 50% of the lower of Cost or Market of US inventory values to 80% of qualified AR plus 85% of the Net Orderly Liquidation Value (NOLV) of US Inventory plus 62.5% of total appraised US real estate values. As a result of this change, the Company is projected to maintain its current borrowing capacity of $25,000,000 under the Line of Credit. The Company underwent a series of appraisals and field exams in all US locations as part of restructuring this agreement. In addition, the Company will provide additional reporting to TD Bank, including monthly profit and loss statements, balance sheets, cash flow statements and forecasting. This minimum adjusted EBITDA covenant is based on the Company's plan for a slow pandemic recovery throughout FY21 and the impact of the Company's restructuring plan initiatives. The Company will apply certain proceeds from the sale of US real estate assets against the principle balance of the term loans under the TD Bank loan agreement. The Agreement will revert to the existing covenant package for the quarter ending September 30, 2021 and every quarter thereafter.

Our operational results are dependent on how well we can scale our manufacturing capacity and resources to the level of our customers' demand.

We sell our products in industries that require manufacturers to make highly efficient use of manufacturing capacity. Insufficient or excess capacity threatens our ability to generate competitive profit margins and may expose us to liabilities such as contractual commitments. Although from time to time we close or consolidate facilities, adapting or modifying our capacity is difficult, as modifications take substantial time to execute, are inherently disruptive and costly and, in some cases, may require regulatory approval. Additionally, delivering products during process or facility modifications requires special coordination. The cost and resources required to adapt our capacity, such as through facility acquisitions, facility closings or process moves between facilities, may negate any planned cost reductions or may result in costly delays, product quality issues or material shortages, all of which could adversely affect our operational results and our reputation with our customers.

We may not realize all of the anticipated benefits of our acquisitions or divestitures, or these benefits may take longer to realize than expected.

Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies, difficulty in assimilating the operations and personnel of the acquired businesses, disruption of the Company's existing business, dissipation of the Company's limited management resources, and impairment of relationships with employees and customers of the acquired business as a result of changes in ownership and management.

In pursuing our business strategy, we routinely evaluate targets and enter into agreements regarding possible acquisitions, divestitures and joint ventures. To be successful, we conduct due diligence to identify valuation issues and potential loss contingencies and manage post-closing matters such as the integration of acquired businesses. Further, while we seek to mitigate risks and liabilities of such transactions through due diligence, among other things, there may be risks and liabilities that our due diligence efforts fail to discover that are not accurately or completely disclosed to us or that we inadequately assess. We may incur unanticipated costs or expenses following a completed acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. Risks associated with our past or future acquisitions also include the following:

- the failure to achieve the acquisition's revenue or profit forecast;
- technological and product synergies, economies of scale and cost reductions may not occur as expected;
- unforeseen expenses, delays or conditions may be imposed upon the acquisition, including due to required regulatory approvals or consents;

- the acquisition or assumption of unexpected liabilities or the incurrence of unexpected penalties or other enforcement actions;
- unforeseen difficulties integrating operations, processes and systems;
- failure to retain, motivate and integrate key management and other employees of the acquired business; and
- problems in retaining customers and integrating customer bases.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and attention. They may also delay the realization of the benefits we anticipate when we enter into a transaction. Failure to successfully integrate and realize the expected benefits of such acquisitions or to implement our acquisition strategy, including successfully integrating acquired businesses, could have an adverse effect on our business, financial condition and results of operations.

Furthermore, we consider strategic divestitures from time to time, including divestures of underperforming or non-core assets or divestitures designed to generate cash to extinguish or reduce our liabilities. In the case of divestitures, we may agree to indemnify acquiring parties for certain liabilities arising from our former businesses. These divestitures may also result in continued financial involvement in the divested businesses following the transaction, including through guarantees or other financial arrangements. Lower performance by those divested businesses could affect our future financial results and divestitures of profitable operations to generate cash could reduce our future revenues and profits. (See Note 6 "Goodwill and Intangibles" to the Consolidated Financial Statements regarding impairment)

If we do not meet customers' product quality, reliability standards and expectations, we may experience increased or unexpected product warranty claims and other adverse consequences to our business.

Product quality and reliability are significant factors influencing customers' decisions to purchase our products. Inability to maintain the high quality of our products relative to the perceived or actual quality of similar products offered by competitors could result in the loss of market share, loss of revenue, reduced profitability, an increase in warranty costs, government investigations and/or damage to our reputation.

Product quality and reliability are determined in part by factors that are not entirely within our control. We depend on our suppliers for parts and components that meet our standards. If our suppliers fail to meet those standards, we may not be able to deliver the quality of products that our customers expect, which may impair our reputation, resulting in lower revenue and higher warranty costs.

We provide our customers a warranty covering workmanship, and in some cases materials, on products we manufacture. Our warranty generally provides that products will be free from defects for 1 year. If a product fails to comply with the warranty, we may be obligated, at our expense, to correct any defect by repairing or replacing the defective product. Although we maintain warranty reserves in an amount based primarily on the number of units shipped and on historical and anticipated warranty claims, there can be no assurance that future warranty claims will follow historical patterns or that we can accurately anticipate the level of future warranty claims. While the Company has historically not incurred significant warranty expense, an increase in the rate of warranty claims or the occurrence of unexpected warranty claims, for which we are not insured or where we cannot recover from our vendors to the extent their materials or workmanship were defective, could materially and adversely affect our financial condition, results of operations and cash flows.

If our manufacturing processes and products do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our products may decline and we may be subject to product liability claims.

Our designs, manufacturing processes and facilities need to comply with applicable statutory and regulatory requirements. We may also have the responsibility to ensure that products we design satisfy safety and regulatory standards including those applicable to our customers and to obtain any necessary certifications. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements or demands of our customers. Potential defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers, replacement costs or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility.

Any manufacturing or design defects may also result in product liability claims. Furthermore, customers use some of our products in potentially hazardous applications that can cause injury or loss of life and damage to property, equipment or the environment. We may be named as a defendant in product liability or other lawsuits asserting potentially large claims if an accident occurs at a location where our equipment and services have been or are being used. We also maintain certain insurance policies which may limit our financial exposures. Any significant liabilities which are not covered by insurance could have an adverse effect on our financial condition, results of operation and cash flows. Likewise, a substantial increase in the number of claims that are made against us or the amounts of any judgments or settlements could materially and adversely affect our reputation and our financial condition, results of operations and cash flows.

Volatility in the price of energy and raw materials, large or rapid increases in the cost of raw materials or components parts, substantial decreases in their availability, or our dependence on particular suppliers of raw materials and component parts could materially and adversely affect our operating results.

Steel is the principal raw material used in the manufacture of the Company's products. Historically, market prices of some of our key raw materials have fluctuated on a cyclical basis and have often depended on a variety of factors over which the Company has no control, including as a result of tariffs or other trade barriers. If in the future we are not able to reduce product costs in other areas or pass raw material price increases on to our customers, our margins could be adversely affected. In addition, because we maintain limited raw material and component inventories, even brief unanticipated delays in delivery by suppliers—including those due to capacity constraints, labor disputes, impaired financial condition of suppliers, weather emergencies, global pandemics, such as COVID-19, or other natural disasters— may impair our ability to satisfy our customers and could adversely affect our financial performance. The cost of producing the Company's products is also sensitive to the price of energy. If we are unable to manage pricing from these suppliers effectively or pass future cost increases through to our customers, our financial performance could be adversely affected. Likewise, if our suppliers terminate these agreements and we are unable to procure alternate products at substantially similar competitive pricing, our financial performance could be adversely affected.

We may not be able to maintain our engineering, technological and manufacturing expertise.

The markets for our products are characterized by changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire, retain and expand our pool of qualified engineering and technical personnel;
- maintain technological leadership in our industry;
- successfully anticipate or respond to changes in manufacturing processes in a cost-effective and timely manner; and
- successfully anticipate or respond to changes in cost to serve in a cost-effective and timely manner.

We cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive. We may have to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. When we establish new facilities, we may not be able to maintain or develop our engineering, technological and manufacturing expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with machinery. Failure to anticipate and adapt to customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain engineering, technological and manufacturing expertise may have a material adverse effect on our business.

Increased information technology security threats and more sophisticated computer crime pose a risk to our systems, networks, products and services. Any inadequacy, interruption, integration failure or security failure with respect to our information technology could harm our ability to effectively operate our business.

The efficient operation of the Company's business is dependent on its information systems, including its ability to operate them effectively and to successfully implement new technologies, systems, controls and adequate disaster recovery systems. In addition, the Company must protect the confidentiality of data of its business, employees, customers and other third parties. Information technology security threats -- from user error to cybersecurity attacks designed to gain unauthorized access to our systems, networks and data – are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity and/or reliability of the hardware and software installed in our products. It is possible that our information technology systems and networks, or those managed by third parties, could have vulnerabilities, which could go unnoticed for a period of time. The failure of the Company's information systems to perform as designed or its failure to implement and operate them effectively could disrupt the Company's business or subject it to liability and thereby harm its profitability. While the Company continues to enhance the applications contained in the Enterprise Resource Planning (ERP) system as well as improvements to other operating systems, there can be no guarantee that the actions and controls we have implemented and are implementing, or which we cause or have caused third party service providers to implement, will be sufficient to protect our systems, information or other property.

If we fail to protect our intellectual property rights or maintain our rights to use licensed intellectual property, our business could be adversely affected.

Our intellectual property, including our patents, trade secrets, trademarks and licenses are important in the operation of our business. Although we intend to protect our intellectual property rights vigorously, we cannot be certain that we will be successful in doing so. Third parties may assert or prosecute infringement claims against us in connection with the services and products that we offer, and we may or may not be able to successfully defend these claims. Litigation, either to enforce our intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and in a diversion of our resources.

In addition, if a third party would prevail in an infringement claim against us, then we would likely need to obtain a license from the third party on commercial terms, which would likely increase our costs. Our failure to maintain or obtain necessary licenses or an adverse outcome in any litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks Related to Legal and Regulatory

International operations and our financial results in those markets may be affected by legal, regulatory, political, currency exchange and other economic risks.

During the fiscal year 2020, revenue from sales outside of the United States was $87.5 million, representing approximately 43 % of consolidated sales. In addition, a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States. As a result, our business is subject to risks associated with international operations. These risks include the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, changes in governmental monetary and fiscal policies, and political unrest and corruption. Regulatory changes could occur in the countries in which we sell, produce or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. Restrictions imposed by such changes can have a significant impact on our business.

In addition, the functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. Changes in foreign currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign governmental policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Countries in which our products are manufactured or sold may from time to time impose additional new regulations, or modify existing regulations, including:

- changes in duties, taxes, tariffs and other charges on imports;
- limitations on the quantity of goods which may be imported into the United States from a particular country;
- requirements as to where products and/or inputs are manufactured or sourced;
- creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing and/or export prices or duties;
- currency fluctuations;
- limitations on foreign owned businesses; or
- government actions to cancel contracts, re-denominate the official currency, renounce or default on obligations, renegotiate terms unilaterally or expropriate assets.

In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

Failure to comply with laws, rules and regulations could negatively affect our business operations and financial performance.

Due to the international scope of our operations, we are subject to a complex system of federal, state, local and international laws, rules and regulations, such as state and local wage and hour laws, the U.S. Foreign Corrupt Practices Act (the "FCPA"), the False Claims Act, the Employee Retirement Income Security Act ("ERISA"), securities laws, import and export laws (including customs regulations) and many others. We may also be subject to investigations or audits by governmental authorities and regulatory agencies, which can occur in the ordinary course of business or which can result from increased scrutiny from a particular agency towards an industry, country or practice. Such investigations or audits may subject us to increased government scrutiny, investigation and civil and criminal penalties, and may limit our ability to import or export our products or to provide services outside the United States.

Furthermore, embargoes and sanctions imposed by the United States and other governments restricting or prohibiting sales to specific persons or countries or based on product classification may expose us to potential criminal and civil sanctions. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or in certain locations the manner in which existing laws might be administered or interpreted.

In addition, as a result of operating in multiple countries, we must comply with multiple foreign laws and regulations that may differ substantially from country to country and may conflict with corresponding U.S. laws and regulations. The FCPA and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws. Our operations outside the United States, including in developing countries, expose us to the risk of such violations. If we fail to comply with laws, rules and regulations or the manner in which they are interpreted or applied, we may be subject to government enforcement action, class action litigation or other litigation, damage to our reputation, civil and criminal liability, damages, fines and penalties, and increased cost of regulatory compliance, any of which could adversely affect our results of operations and financial performance.

Costs associated with lawsuits or investigations or adverse rulings in enforcement or other legal proceedings may have an adverse effect on our results of operations.

From time to time, we are involved in various claims and lawsuits that arise in and outside of the ordinary course of our business. The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. It is not possible to predict with certainty the outcome of claims, investigations and lawsuits, and we could in the future incur judgments, fines or penalties or enter into settlements of lawsuits and claims that could have an adverse effect on our reputation, business, results of operations or financial condition in any particular period. The global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, may arise from time to time. In addition, subsequent developments in legal proceedings may affect our assessment and estimates of loss contingencies recorded as a reserve and require us to make payments in excess of our reserves, which could have an adverse effect on our reputation, business and results of operations or financial condition.

Our tax rate is dependent upon a number of factors, a change in any of which could impact our future tax rates and net income.

Our future tax rates may be adversely affected by a number of factors, including the enactment of certain tax legislation being considered in the United States and other countries; other changes in tax laws or the interpretation of such tax laws; changes in the estimated realization of our net deferred tax assets; the jurisdictions in which profits are determined to be earned and taxed; the repatriation of non-U.S. earnings for which we have not previously provided for U.S. income and non-U.S. withholding taxes; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes, including impairment of goodwill in connection with acquisitions; changes in available tax credits; and the resolution of issues arising from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from one quarter to another. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions could impact our future tax rates and net income in those periods.

Item 1B – Unresolved Staff Comments

None.

Item 2 - Properties

The Company's principal plant and its corporate headquarters are located in Athol, MA on approximately 15 acres of Company-owned land. The plant consists of 25 buildings, mostly of brick construction of varying dates, with approximately 535,000 square feet.

The Company's Webber Gage Division in Cleveland, OH, owns and occupies two buildings totaling approximately 50,000 square feet.

The Company-owned facility in Mt. Airy, NC consists of a complex of interconnected buildings totaling approximately 320,000 square feet. It is occupied by the Company's Saw Division and a distribution center.

The Company's subsidiary in Itu, Brazil owns and occupies several buildings totaling 209,000 square feet.

The Company's subsidiary in Jedburgh, Scotland owns and occupies a 175,000 square foot building.

A wholly owned manufacturing subsidiary in The People's Republic of China leases a 133,000 square foot building in Suzhou and leases a sales office in Shanghai.

The Tru-Stone Division owns and occupies a 106,000 square foot facility in Waite Park, MN.

The Kinemetric Engineering Division occupies an 18,000 square foot leased facility in Laguna Hills, CA.

The Bytewise Division occupies a 22,000 square foot leased facility in Columbus, GA.

In addition, the Company operates warehouses and/or sales-support offices in the U.S., Australia, New Zealand, Mexico, Singapore and Japan.

In the Company's opinion, all of its property, plant and equipment are in good operating condition, well maintained and adequate for its current and foreseeable needs.

Item 3 - Legal Proceedings
In the ordinary course of business, the Company is involved from time to time in litigation that is not considered material to its financial condition or operations.

Item 4 – Mine Safety Disclosures
Not applicable.

PART II

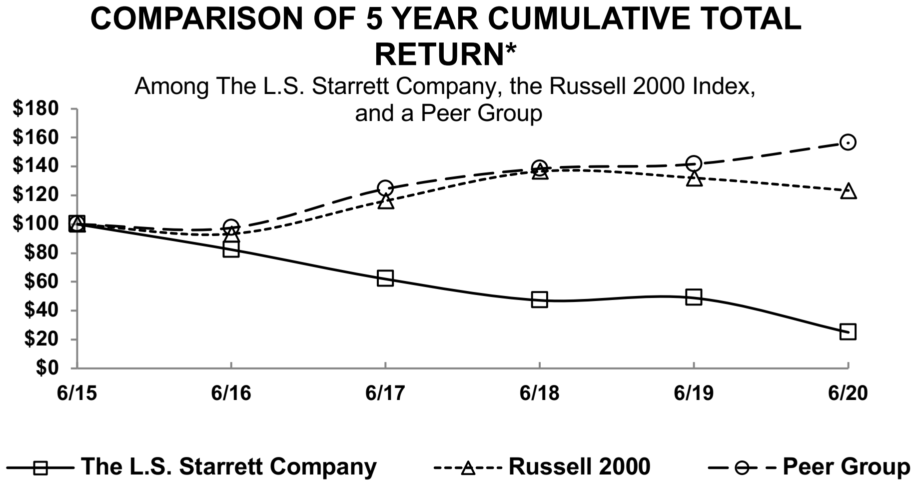
Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
The Company's Class A common stock is traded on the New York Stock Exchange. Quarterly high/low closing market price information is presented in the table below. The Company's Class B common stock is generally nontransferable, except to lineal descendants of stockholders, and thus has no established trading market, but it can be converted into Class A common stock at any time. The Class B common stock was issued on October 5, 1988, and the Company has paid the same dividends thereon as have been paid on the Class A common stock since that date. On June 30, 2020, there were approximately 1,085 registered holders of Class A common stock and approximately 875 registered holders of Class B common stock. In the fourth quarter of fiscal 2020, there were zero Class A shares and 2,762 Class B shares repurchased.

Quarter Ended	High	Low
September 2018	$ 6.70	$ 5.96
December 2018	6.95	4.65
March 2019	8.48	5.40
June 2019	8.20	6.62
September 2019	6.90	5.25
December 2019	6.03	5.23
March 2020	6.03	3.03
June 2020	4.09	3.02

The Company's dividend policy is subject to periodic review by the Board of Directors. Based upon economic conditions, the Board of Directors suspended its quarterly dividend of $0.10 as of the quarter ended March 31, 2018.

PERFORMANCE GRAPH

The following graph sets forth information comparing the cumulative total return to holders of the Company's Class A common stock based on the market price of the Company's Class A common stock over the last five fiscal years with (1) the cumulative total return of the Russell 2000 Index ("Russell 2000") and (2) a peer group index (the "Peer Group") reflecting the cumulative total returns of certain small cap manufacturing companies as described below. The peer group is comprised of the following companies: Acme United, Q.E.P. Co. Inc., Badger Meter, National Presto Industries, Regal-Beloit Corp., Tennant Company, The Eastern Company and WD-40.



*$100 invested on 6/30/15 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

	BASE	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
STARRETT	$ 100.00	$ 82.34	$ 61.95	$ 47.19	$ 48.81	$ 25.00
RUSSELL2000	$ 100.00	$ 93.27	$ 116.21	$ 136.63	$ 132.11	$ 123.35
PEER GROUP	$ 100.00	$ 97.41	$ 124.48	$ 138.54	$ 141.65	$ 156.33

Item 6 - Selected Financial Data

The following selected financial data have been derived from and should be read in conjunction with "Management Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and notes thereto, included elsewhere in this Annual Report on Form 10-K.

	Years ended June 30 (in $000s except per share data)				
	2020	2019	2018	2017	2016
Net sales	$ 201,451	$ 228,022	$ 216,328	$ 207,023	$ 209,685
Net earnings (loss)	(21,839)	6,079	(3,633)	991	(14,130)
Basic earnings (loss) per share	(3.14)	0.87	(0.52)	0.14	(2.01)
Diluted earnings (loss) per share	(3.14)	0.87	(0.52)	0.14	(2.01)
Long-term debt	26,341	17,541	17,307	6,095	17,109
Total assets	172,683	190,087	182,286	192,665	201,598
Dividends per share	0.00	0.00	0.20	0.40	0.40

Items 7 and 7A- Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk

RESULTS OF OPERATIONS

Fiscal 2020 Compared to Fiscal 2019

COVID-19 pandemic

After a strong and encouraging financial performance in Fiscal 2019, Fiscal 2020 has presented challenges unlike any other encountered in Starrett's 140-year history. This storied history includes two World Wars, the 1918 pandemic, the Great Depression of the 1930's, and the more recent financial crisis of 2009, amongst other recessions and events. Despite the challenges presented by the current pandemic situation, we have remained open and operational across the globe.

Globally, Starrett is deemed an "essential business", as our measuring products are critical criteria in essential manufacturing, including the defense, aerospace, transportation, supply chain and medical industries. The Company meets the criterial outlined in the Cybersecurity and Infrastructure Security Agency ("CISA") guidance, Department of Homeland Security as an "essential business". Furthermore, our products are used in the food industry which is critical to the supply chain.

Throughout the pandemic crisis, our main focus has been on protecting the health and well-being of our employees, and the long-term financial health of the Company. As anticipated, the COVID-19 pandemic has had a negative impact on global sales. The impact was felt as early as January 2020 in our operation in Suzhou, China and most significantly since March 2020 in North America, the UK, Europe and Brazil. We were very quick to take austerity measures, reducing payroll and managing variable operational spending globally to help mitigate this shortfall in sales and preserve cash.

It remains very difficult for management to predict when this crisis will have reached its peak and when revenues and order intake will begin to resume their normal course. Because of this remaining uncertainty, management has conducted several scenario planning exercises and is prepared to take additional necessary steps to preserve the longer-term financial health of the Company.

As previously disclosed in our filings, and as a result of a decrease in sales related to the COVID-19 pandemic, we anticipated potential non-compliance with our fixed charge coverage ratio for the year ended June 30, 2020 under our Loan and Security Agreement with our main lender, TD Bank, and we notified them accordingly. On June 25, 2020, we entered in into an amendment and restatement of the Loan Agreement with TD Bank, waiving the fixed charge coverage ratio for the quarter ended June 30, 2020. Without this covenant relief, we may have been in default of the fixed charge coverage ratio or other covenants under the Loan Agreement for the quarter ending September 30, 2020, as well. .

Pursuant to the terms of the Company's Amended and Restated Loan and Security Agreement of June 25, 2020, the "First Amendment" to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minimum cumulative EBITDA and minimum liquidity covenants in lieu thereof. TD Bank perfected its security interests in the Company's U.S. based assets, increased the maximum interest charged on the Line Of Credit from and annual interest rate of 2.25% plus Libor to 3.50% plus Libor, and amended the borrowing base for the line of credit from 80% of Qualified AR and 50% of the lower of Cost or Market of US inventory values to 80% of qualified AR plus 85% of the Net Orderly Liquidation Value (NOLV) of US Inventory plus 62.5% of total appraised US real estate values. As a result of this change, the Company is projected to maintain its current borrowing capacity of $25,000,000 under the Line of Credit. The Company underwent a series of appraisals and field exams in all US locations as part of restructuring this agreement. In addition, the Company will provide additional reporting to TD Bank, including monthly profit and loss statements, balance sheets, cash flow statements and forecasting. This minimum adjusted EBITDA covenant is based on the Company's plan for a slow pandemic recovery throughout FY21 and the impact of the Company's restructuring plan initiatives. The Company will apply certain proceeds from the sale of US real estate assets against the principle balance of the term loans under the TD Bank loan agreement. The Agreement will revert to the existing covenant package for the quarter ending September 30, 2021 and every quarter thereafter.

Overview

For the first half of fiscal year 2020 sales were 0.5% above fiscal year 2019 at $109.0 million with Operating Income of $4.2 million. As previously mentioned, the COVID-19 pandemic has had a negative impact on global sales in the second half of fiscal 2020. This impact was felt as early as January 2020 in our operation in Suzhou, China and most significantly since March 2020 in North America and in the UK. The March quarter sales of $50.0 million and the June quarter sales of $42.5 of fiscal 2020 (cumulatively $92.5 million) compares unfavorably to the $58.5 in the March quarter and $61.1 million in the June quarter of fiscal year 2019 (cumulatively $119.6 million). Although overall Sales for fiscal 2020 are down 11.6% compared to fiscal 2019, it should be noted that second half sales for fiscal 2020 declined 22.6% from fiscal 2019, and fourth quarter sales declined over 30% from fiscal 2019 to fiscal 2020.

Overall, fiscal year 2020 sales were $201.5 million and fiscal year 2019 sales were $228.0 million.

Gross margins decreased $12.7 million or 17% from $74.9 million to $62.2 million. As a percent of sales, gross margins decreased from 33% in fiscal 2019 to 31% in fiscal 2020. We have taken austerity measures, reducing payroll and managing variable operational spending to help mitigate the shortfall in sales, and we are investing in restructuring programs going forward in order to improve upon the utilization of our manufacturing capacity and lower per unit costing globally.

Selling, general and administrative expenses decreased $4.3 million from $63.7 million in fiscal 2019 to $59.4 million in fiscal 2020 or 7% also as part of cost containment in the second half of fiscal year 2020. Much of the cost reduction was achieved in Q4 of fiscal year 2020.

In the quarter ending June 30, 2020 the Company took a restructuring charge related to headcount reductions and saw manufacturing consolidation. The Company recorded a $1.6 million restructuring charge, of which $1.1 million remains unpaid at June 30, 2020. The Company also expects, during fiscal 2021, an additional $2.4 million of expense associated with restructuring as a period cost at the time incurred. In addition, $6.5 million in goodwill and intangibles were impaired There were neither restructuring nor impairment charges in fiscal 2019.

Operating income in fiscal 2020 of $2.8 million, exclusive of adjustments related to goodwill and intangibles impairment of a combined $6.5 million and restructuring of $1.6 million, decreased by $8.4 million, compared to an operating income of $11.2 million in fiscal 2019. Operating income including adjustments was a loss of $5.3 million in fiscal 2020 or $16.5 million lower than fiscal year 2019.

Net Sales

Net sales in North America decreased $14.6 million or 11% from $136.4 million in fiscal 2019 to $121.8 million in fiscal 2020, principally due to a $13.3 million or 19% decrease in precision hand tools. International sales decreased $12.0 million or 13% from $91.6 million in fiscal 2019 to $79.6 million in fiscal 2020 driven by a 22% reduction in sales in the UK and a 18% decrease in China. Brazilian sales were adversely affected by exchange rate decline versus last year that cost an estimated $7.7 million. This means Brazil was $5.1 million below last year in USD sales but holding currency neutral would affect a $2.6 million increase (improvement) in fiscal 2020 vs fiscal 2019, a swing of $7.7 million.

Gross Margin

Gross margin in fiscal 2020 was $62.2 million or 31% of sales and in fiscal 2019 $74.9 million or 33% of sales. Gross margin was $12.7 million below fiscal 2019, of which $3.4 million was foreign exchange related. The Brazilian Real declined to the U.S. dollar during fiscal year 2020. The Company's Brazilian operations saw a decline in gross margin in fiscal year 2020 vs fiscal year 2019 of $1.6 million but at exchange neutral would have seen a gain of $1.5 million.

North America gross margin decreased $8.1 million from $40.7 million in fiscal 2019 to $32.6 million in fiscal 2020 primarily due to the decreased net sales, although management did take austerity measures managing variable spending to help mitigate the shortfall. International gross margins decreased $4.6 million from $34.2 million in fiscal 2019 to $29.6 million in fiscal 2020.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, including Corporate expenses, decreased in fiscal year 2020 vs prior fiscal year $4.3 million or 7% due to austerity measures as a result of lower sales. North American selling, general and administrative expenses decreased $3.5 million or 11% and International selling, general and administrative expenses decreased $1.6 million or 6%.

Operating Profit

During the first half of fiscal 2020, in comparison to fiscal 2019, net sales were better by $0.3 million or 0.5% and operating profit was down 4.0% or $0.2 million. Fiscal 2019 ended with operating income of $11.2 million or 5% of net sales. Fiscal year 2020 ended at a loss of $5.3 million which was a $16.5 million decline to fiscal year 2019. This downward change in the second half of fiscal 2020 is predominately related to the pandemic.

Operating income in fiscal 2020 was $2.8 million, exclusive of $8.1 million of adjustments related to impairment and restructuring. Fiscal year 2019 had neither asset impairment nor restructuring charges. As reported, operating income in fiscal year 2020 was a loss of $5.3 million versus operating income of $11.2 million in fiscal year 2019.

Other Income (Expense)

Other Income (Expense) was ($14.7) million in fiscal 2020 as compared to ($1.6) million in fiscal 2019. The financial markets had an adverse impact on earnings in fiscal 2020 as the increased demand for bonds and the associated decrease in interest rates significantly contributed to a $16.7 million mark-to-market non-cash pension expense due to higher liabilities. The pension liability is based upon the ten-year Corporate Bond Rate and is set on the last day of the fiscal year. This generally accepted accounting principle coupled with the historically low interest rates are beyond the control of management. The discount rate to determine net cost for the US pension liability was lowered from 3.56% in June 2019 to 2.73% in June 2020. The Amortization of the net pension loss was $256 thousand in fiscal year 2019 compared to $16.7 million in fiscal 2020.

Income Taxes

The tax rate of (9.2%) on pre-tax losses of ($20.0) million in the year ended June 30, 2020 is lower than the U.S. statutory rate primarily as a result of the Global Intangible Low Taxed Income" GILTI" provisions, non-deductible goodwill impairment, as well as changes in the jurisdictional mix of earnings, particularly Brazil with a statutory tax rate of 34%. The tax rate was also negatively impacted by the write-off of the long-term receivable previously established for competent authority relief for historic transfer pricing adjustments which the Company has determined is no longer feasible to pursue and an increase in the valuation allowance against foreign tax credits which the Company has determined are more likely than not to expire unutilized.

The income tax rate for fiscal 2019 was 36.7% on pre-tax income of $9.6 million. The tax rate is higher than the U. S. statutory rate as a result of the “GILTI” provisions, which became effective in fiscal 2019 as well as changes in the international mix of earnings, particularly in Brazil with a statutory rate of 34%.

The Company continues to recognize the benefit of most U.S. deferred tax assets as, after weighing the positive and negative evidence, it believes it is more likely than not that those benefits will be recognized.

Fiscal 2019 Compared to Fiscal 2018

Overview

Net sales for fiscal 2019 increased $11.7 million or 5% compared to fiscal 2018. Excluding the effects of foreign currency of $10 million, sales revenue increased $21.7 million or 10%. Unit volume, new products and price increases, represented $13.6, $4.8 and $3.3 million, respectively of the sales growth.

Gross margins increased $5.3 million or 8% from $69.6 million to $74.9 million. As a percent of sales, gross margins increased 0.7%. North America and International increased $1.4 million and $3.9 million, respectively.

Selling, general and administrative expenses decreased $0.3 million from $64.0 million in fiscal 2018 to $63.7 million in fiscal 2019 as a $2.4 million increase in constant currency was offset by a $2.7 currency decline due to a weaker Brazilian Real and British Pound.

Operating income more than doubled, increasing $5.7 million from $5.5 million in fiscal 2018 to $11.2 million in fiscal 2019.

Net Sales

Net sales in North America increased $8.0 million or 6% from $128.4 million in fiscal 2018 to $136.4 million in fiscal 2019, principally due to a $7.3 million or 12% increase in precision hand tools. International sales increased $3.7 million or 4% from $87.9 million in fiscal 2018 to $91.6 million in fiscal 2019 as a recovery from recession in Brazil resulted in a $4.5 million revenue improvement offsetting a $10 million reduction related to foreign currency losses. Excluding the aforementioned foreign currency impacts international sales increased $13.7 million.

Gross Margin

Gross margin in North America increased $1.4 million from $39.4 million in fiscal 2018 to $40.8 million in fiscal 2019 primarily due to increased revenue and improved margins for precision hand tools. International gross margins increased $3.9 million from $30.2 million in fiscal 2018 to $34.1 million in fiscal 2019 based upon increased sales and reduced cost in Brazil.

Selling, General and Administrative Expenses

North American selling, general and administrative expenses, including Corporate expenses, increased $1.4 million or 4% principally due to higher selling and incentive pay expenses. International selling, general and administrative expenses decreased $1.7 million or 6% due lower foreign exchange in Brazilian expenses.

Operating Profit

Operating profit improved $5.7 million as a result of increased sales revenues and lower costs in both North America and International.

Other Income (Expense)

As outlined in Notes 10 and 12 to the Consolidated Financial Statements, pension expense, excluding service cost, was reclassified to Other Income (Expense) for fiscal years 2019, 2018 and 2017. Other expense increased $1.0 million from $0.6 million in fiscal 2018 to an expense of $1.6 million in fiscal 2019 due primarily to income related to an international tax settlement of $1.1 million and the settlement of patent litigation of $0.7 in fiscal 2019.

Income Taxes

The income tax rate for fiscal 2019 was 36.7% on pre-tax income of $9.6 million. The tax rate is higher than the U. S. statutory rate as a result of the Global Intangible Low Taxed Income “GILTI” provisions, which became effective in fiscal 2019 as well as changes in the international mix of earnings, particularly in Brazil with a statutory rate of 34%.

The income tax rate for fiscal 2018 was 174.7% on pre-tax income of $4.9 million. This rate compares to a normalized statutory U.S. federal and state rate of 32%. The primary reason for the higher effective tax rate is due to the reduction of the deferred tax asset due to the change in tax rates enacted in the United States.

The Company continues to recognize the benefit of most U.S. deferred tax assets as, after weighing the positive and negative evidence, it believes it is more likely than not that those benefits will be recognized.

FINANCIAL INSTRUMENT MARKET RISK

Market risk is the potential change in a financial instrument's value caused by fluctuations in interest and currency exchange rates, and equity and commodity prices. The Company's operating activities expose it to risks that are continually monitored, evaluated and managed. Proper management of these risks helps reduce the likelihood of earnings volatility.

The Company does not engage in tracking, market-making or other speculative activities in derivatives markets. The Company does enter into long-term supply contracts with either fixed prices or quantities. The Company engages in an immaterial amount of hedging activity to minimize the impact of foreign currency fluctuations but has no forward currency contracts outstanding at June 30, 2020. Net foreign monetary assets are approximately $7.0 million as of June 30, 2020 and $12.9 million as of June 30, 2019.

A 10% change in interest rates would not have a significant impact on the aggregate net fair value of the Company's interest rate sensitive financial instruments or the cash flows or future earnings associated with those financial instruments. A 10% increase in interest rates would not have a material impact on our borrowing costs. See Note 13 "Debt" to the Consolidated Financial Statements for details concerning the Company's long-term debt outstanding of $30.9 million.

LIQUIDITY AND CAPITAL RESOURCES

	Years ended June 30 ($000)		
	2020	2019	2018
Cash provided by (used in) operating activities	$ (1,163)	$ 8,397	$ 4,055
Cash used in investing activities	(10,600)	(7,227)	(5,762)
Cash provided by (used in) financing activities	9,314	(225)	1,708

The Company has a working capital ratio of 3.7 as of June 30, 2020 and 3.7 as of June 30, 2019 as lower accounts receivable of $7.0 million and lower inventory balances of $8.8 million were partially offset by decreased accounts payable, and accrued expenses. Cash, accounts receivable and inventories represent 92% and 94% of current assets fiscal 2020 and fiscal 2019, respectively. The Company had accounts receivable turnover of 6.2 in fiscal 2020 and 6.6 in fiscal 2019 and an inventory turnover ratio of 2.5 in both fiscal 2020 and in fiscal 2019.

Net cash used by operations was $1.2 million in fiscal 2020. Cash used in investing of $10.6 million included $9.3 million invested in property, plant and equipment and $1.3 million invested in software development. The Company had $9.3 million provided principally by net borrowing activities.

Effects of translation rate changes on cash primarily result from the movement of the U.S. dollar against the British Pound, the Euro and the Brazilian Real.

Liquidity and Credit Arrangements

In addition to its cash and short-term investments, the Company has available a $25.0 million line of credit, of which, $0.8 million is reserved for letters of credit and $20.4 million was outstanding as of June 30, 2020.

During 2020 we implemented a restructuring plan to address changes in our business as a result of the COVID-19 pandemic. This plan included reducing payroll, consolidation of certain operations and managing variable costs. In addition, we worked with TD Bank to amend the current loan agreement which resulted in a number of changes such as amendments to the financial covenants through June 2021. We believe that existing cash and cash expected to be provided by future operating activities, augmented by the plans highlighted above, are adequate to satisfy our working capital, capital expenditure requirements and other contractual obligations for at least the next 12 months. If our expectations are incorrect or the impact from the COVID-19 pandemic worsens then we may need to take advantage of unanticipated strategic opportunities to strengthen our financial position, which could result in material impacts to the Company's consolidated financial statements in future reporting periods .

During the period ended March 31, 2020, as a result of a decrease in sales related to the COVID-19 epidemic, the Company anticipated potential non-compliance with its fixed charge coverage ratio for the year ended June 30, 2020 under its Loan and Security Agreement (the "Loan Agreement") by and among the Company and its U.S. operating companies (collectively, the "Borrowers") and TD Bank, N.A. ("TD Bank"). On June 25, 2020, the Borrowers and TD Bank entered into an amendment and restatement (the “Amendment and Restatement”) of the Loan Agreement. The Amendment and Restatement waived the fixed charge coverage ratio for the quarter ended June 30, 2020.

Pursuant to the terms of the Company’s Amended and Restated Loan and Security Agreement of June 25, 2020, the “First Amendment” to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minimum cumulative EBITDA and minimum liquidity covenants in lieu thereof. TD Bank perfected its security interests in the Company’s U.S. based assets, increased the maximum interest charged on the Line Of Credit from and annual interest rate of 2.25% plus Libor to 3.50% plus Libor, and amended the borrowing base for the line of credit from 80% of Qualified AR and 50% of the lower of Cost or Market of US inventory values to 80% of qualified AR plus 85% of the Net Orderly Liquidation Value (NOLV) of US Inventory plus 62.5% of total appraised US real estate values. As a result of this change, the Company is projected to maintain its current borrowing capacity of $25,000,000 under the Line of Credit. The Company underwent a series of appraisals and field exams in all US locations as part of restructuring this agreement. In addition, the Company will provide additional reporting to TD Bank, including monthly profit and loss statements, balance sheets, cash flow statements and forecasting. This minimum adjusted EBITDA covenant is based on the Company’s plan for a slow pandemic recovery throughout FY21 and the impact of the Company’s restructuring plan initiatives. The Company will apply certain proceeds from the sale of US real estate assets against the principle balance of the term loans under the TD Bank loan agreement. The Agreement will revert to the existing covenant package for the quarter ending September 30, 2021 and every quarter thereafter.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements as defined under the Securities and Exchange Commission rules.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 2 to the Company’s Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements.

Judgments, assumptions, and estimates are used for, but not limited to, the allowance for doubtful accounts receivable and returned goods; inventory allowances; income tax reserves; long lived assets and goodwill impairment; as well as employee turnover, discount and return rates used to calculate pension obligations.

Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the Company’s Consolidated Financial Statements. The following sections describe the Company’s critical accounting policies.

<u>Revenue Recognition and Accounts Receivable</u>: On July 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers, and all the related amendments “ASC Topic 606”, using the modified retrospective method. In addition, the Company elected to apply certain of the permitted practical expedients within the revenue recognition guidance and make certain accounting policy elections, including those related to significant financing components, sales taxes and shipping and handling activities. Most of the changes resulting from the adoption of ASC Topic 606 on July 1, 2018 were changes in presentation within the Consolidated Balance Sheet. Therefore, while the Company made adjustments to certain opening balances on its July 1, 2018 Consolidated Balance Sheet, the Company made no adjustment to opening Retained Earnings. The impact of the adoption of ASC Topic 606 has been immaterial to its net income on an ongoing basis; however, adoption did increase the level of disclosures concerning net sales. Results for reporting periods beginning July 1, 2018 are presented under the new guidance, while prior period amounts continue to be reported in accordance with previous guidance without revision.

The core principle of ASC Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The application of the FASB’s guidance on revenue recognition requires the Company to recognize as revenue the amount of consideration that the Company expects to receive in exchange for goods and services transferred to our customers. To do this, the Company applies the five-step model prescribed by the FASB, which requires us to: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation.

The Company accounts for a contract or purchase order when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the product passes to the customer, which is upon shipment, unless otherwise specified within the customer contract or on the purchase order as delivery, and is recognized at the amount that reflects the consideration the Company expects to receive for the products sold, including various forms of discounts. When revenue is recorded, estimates of returns are made and recorded as a reduction of revenue. Contracts with customers are evaluated to determine if there are separate performance obligations related to timing of product shipment that will be satisfied in different accounting periods. When that is the case, revenue is deferred until each performance obligation is met. No performance obligation related amounts were deferred as of June 30, 2020. Purchase orders are of durations less than one year. As such, the Company applies the practical expedient in ASC paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, for which work has not yet been performed.

Certain taxes assessed by governmental authorities on revenue producing transactions, such as value added taxes, are excluded from revenue and recorded on a net basis. Cooperative advertising payments made to customers are included as advertising expense in selling, general and administrative expense in the Consolidated Statements of Operations.

The allowance for doubtful accounts of $0.7 million at the end of fiscal 2020 compared to $0.7 million at the end of fiscal 2019 is based on our assessment of the collectability of specific customer accounts and the aging of our accounts receivable. While the Company believes that the allowance for doubtful accounts is adequate, if there is a deterioration of a major customer's credit worthiness, actual write-offs are higher than our previous experience, or actual future returns do not reflect historical trends, the estimates of the recoverability of the amounts due the Company could be adversely affected.

Inventory Valuation: The Company values inventories at the lower of the cost of inventory or net realizable value, with cost determined by either the last-in, first-out "LIFO" method for most U.S. inventories or the first-in, first-out "FIFO" method for all other inventories. The Company establishes reserves for excess, slow moving, and obsolete inventory based on inventory levels, expected product life, and forecasted sales demand. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared with inventory levels. Reserve requirements are developed according to our projected demand requirements based on historical demand, competitive factors, and technological and product life cycle changes. It is possible that an increase in our reserve may be required in the future if there is a significant decline in demand for our products and we do not adjust our production schedules accordingly.

Warranty expense: The Company's warranty obligation is generally one year from shipment to the end user and is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Historically, the Company has not incurred significant warranty expense and consequently its warranty reserves are not material.

Property Plant and Equipment: The Company accounts for property, plant and equipment (PP&E) at historical cost less accumulated depreciation. PP&E is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of such an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or change in utilization of property and equipment.

Recoverability of the net book value of PP&E is determined by comparison of the carrying amount to estimated future undiscounted net cash flows the asset group is expected to generate. Those cash flows may include an estimated salvage value based on a hypothetical sale at the end of the assets' depreciation period. Estimating these cash flows and terminal values requires management to make judgments about the growth in demand for our products, sustainability of gross margins, and our ability to achieve economies of scale. If assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Depreciation is included in cost of goods sold or selling, general and administrative expenses in the Consolidated Statement of Operations based upon the function or use of the specific asset. Depreciation of equipment used in the manufacturing process is a component of inventory cost and included in costs of goods sold upon sale. Depreciation of equipment used for office and administrative functions is an expense included in selling, general and administrative expenses.

Intangible Assets: Identifiable intangible assets are recorded at cost and are amortized on a straight-line basis over a 5-20 year period. The estimated useful lives of the intangible assets subject to amortization are: 10-15 years for patents, 14-20 years for trademarks and trade names, 5-10 years for completed technology, 8 years for non-compete agreements, 8-16 years for customer relationships and 5 years for software development. The Company in accordance with ASC 350 (Intangibles- Goodwill and Other), tested as a result of a triggering events identified at the private software company and Bytewise, due to lower sales "whether it is more likely than not the fair value of the reporting units long lived assets exceeded its carrying amount and determined intangibles were impairment at the private software company. The Company took a charge of $2.8 million during the June 2020 quarter for the impairment of intangible assets at its private software reporting unit. See Note 6 "Goodwill and Intangibles" to the Consolidated Financial Statements for goodwill impairment charge details.

Recoverability of the net book value of intangible assets is determined by comparison of the carrying amount to estimated future undiscounted net cash flows the asset group is expected to generate. Estimating these cash flows requires management to make judgments about the growth in demand for our products, sustainability of gross margins, and our ability to achieve economies of scale. If assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Goodwill: Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization but is tested for impairment annually and at any time when events suggest impairment may have occurred. The Company annually tests the goodwill of two reporting units associated with the November 2011 acquisition of Bytewise and the February 2017 acquisition of a private software company. Bytewise is tested in October and the software reporting unit is tested in February. The Company contracted with a professional valuation firm "the firm" to perform a quantitative analysis (commonly referred to as "Step One") for its February 1, 2020 annual assessment of goodwill associated with its purchase of a private software company. The firm assisted the Company in estimating fair value using an income approach based on the present value of future cash flows. The Company believes this approach yields the most appropriate evidence of fair value. During the March quarter fiscal year 2020, it determined the fair value assessment of the software development company's goodwill exceeded the carrying amount.

The Company performed a qualitative analysis of its Bytewise reporting unit for its October 1, 2019 annual assessment of goodwill (commonly referred to as "Step Zero"). From a qualitative perspective, in evaluating whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, relevant events and circumstances are taken into account, with greater weight assigned to events and circumstances that most affect the fair value or the carrying amounts of its assets. Items that were considered included, but were not limited to, the following: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and changes in management or key personnel.

During the June quarter fiscal year 2020 the Company, considering the COVID-19 pandemic a triggering event at the private software company and Bytewise due to lower sales, tested the Goodwill at both reporting units and concluded that the fair value, on a discounted cash flow basis, was less than the carrying value and took a goodwill impairment charge of $3.7 million. See Note 6 "Goodwill and Intangibles" to the Consolidated Financial Statements for impairment charges.

Income Taxes: Accounting for income taxes requires estimates of future benefits and tax liabilities. Due to temporary differences in the timing of recognition of items included in income for accounting and tax purposes, deferred tax assets or liabilities are recorded to reflect the impact arising from these differences on future tax payments. With respect to recorded tax assets, the Company assesses the likelihood that the asset will be realized by evaluating the positive and negative evidence to determine whether realization is more likely than not to occur. Realization of the Company's deferred tax assets is primarily dependent on future taxable income, the timing and amount of which are uncertain, in part, due to the variable profitability of certain subsidiaries. A valuation allowance is recognized if it is "more likely than not" that some or all of a deferred tax asset will not be realized. In the event that we were to determine that we would not be able to realize our deferred tax assets in the future, an increase in the valuation allowance would be required. In the event we were to determine that we are able to realize our deferred tax assets and a valuation allowance had been recorded against the deferred tax assets, a decrease in the valuation allowance would be required. Should any significant changes in the tax law or the estimate of the necessary valuation allowance occur, the Company would record the impact of the change, which could have a material effect on our financial position or results of operations. (See also Note 11 "Income Taxes" to the Consolidated Financial Statements.)

Defined Benefit Plans: The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees. The Company also has a postretirement medical and life insurance benefit plan for U.S. employees.

On December 21, 2016, the Company amended the U.S. defined benefit pension plan to freeze benefit accruals effective December 31, 2016. Consequently, the Plan is closed to new participants and current participants no longer earn additional benefits after December 31, 2016.

Under our current accounting method, both plans use fair value as the market-related value of plan assets and continue to recognize actuarial gains or losses within the corridor in other comprehensive income but instead of amortizing net actuarial gains or losses in excess of the corridor in future periods, excess gains and losses are recognized in net periodic benefit cost as of the plan measurement date, which is the same as the fiscal year end of the Company. This mark-to market (*MTM adjustment*) accounting method is a permitted option which results in immediate recognition of excess net actuarial gains and losses in net periodic benefit cost instead of in other comprehensive income. Immediate recognition in net periodic benefit cost could potentially increase the volatility of net periodic benefit cost. The MTM adjustments to net periodic benefit cost for fiscal years 2020, 2019 and 2018 were $16.9 million, $0.3 million, and $0.1 million, respectively. During Fiscal year 2020 the Company recorded a $16.8 million non-cash pension expense due to higher liabilities. The pension liability is based upon the ten-year Corporate Bond Rate and is set on the last day of the fiscal year. This generally accepted accounting principle coupled with the historically low interest rates are driven by financial markets, economic policy and financial conditions. The discount rate to determine net cost for the US pension liability was lowered from 3.56% in June 2019 to 2.73% in June 2020.

Calculation of pension and postretirement medical costs and obligations are dependent on actuarial assumptions. These assumptions include discount rates, healthcare cost trends, inflation, salary growth, long-term return on plan assets, employee turnover rates, retirement rates, mortality and other factors. These assumptions are made based on a combination of external market factors, actual historical experience, long-term trend analysis, and an analysis of the assumptions being used by other companies with similar plans. Significant differences in actual experience or significant changes in assumptions would affect pension and other postretirement benefit costs and obligations. Effective December 31, 2013, the Company terminated eligibility for employees 55-64 years old in the Postretirement Medical Plan. (See also Note 12 “Employee Benefit Plans” to the Consolidated Financial Statements).

CONTRACTUAL OBLIGATIONS

The following table summarizes future estimated payment obligations by period.

	Fiscal Year (in millions)				
	Total	**2021**	**2022-2023**	**2024-2025**	**Thereafter**
Debt obligations	$ 30.9	$ 4.6	$ 22.9	$ 2.7	$ 0.7
Estimated interest on debt obligations	1.7	0.8	0.7	0.2	-
Operating lease obligations	5.4	2.2	2.4	0.7	0.1
Purchase obligations	10.8	9.4	1.4	-	-
Total	$ 48.8	$ 17.0	$ 27.4	$ 3.6	$ 0.8

Estimated interest on debt obligations is based on a standard 10-year loan amortization schedule for the $10.0 million term loan, and the current outstanding balance of the Company's credit line at the current effective interest rate through April 2022 when the current credit line agreement ends. (See Note 13 “Debt” to the Consolidated Financial Statements for additional details).

While our purchase obligations are generally cancellable without penalty, certain vendors charge cancellation fees or minimum restocking charges based on the nature of the product or service. The Company’s Brazilian subsidiary has entered into a long-term, volume-based purchase agreement for electricity. Under this agreement the Company is committed to purchase a minimum monthly amount of energy at a fixed price per kilowatt hour. Cancellation of this contract would incur a significant penalty.

Item 8 - Financial Statements and Supplementary Data

Contents:	**Page**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
The L.S. Starrett Company

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of The L.S. Starrett Company (a Massachusetts corporation) and subsidiaries (the "Company") as of June 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2020, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated September 22, 2020 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP
We have served as the Company's auditor since 2006.
Boston, Massachusetts
September 22, 2020

THE L.S. STARRETT COMPANY
Consolidated Balance Sheets
(in thousands except share data)

	6/30/20	6/30/19
ASSETS		
Current assets:		
Cash	$ 13,458	$ 15,582
Accounts receivable (less allowance for doubtful accounts of $736 and $685, respectively)	29,012	35,980
Inventories	52,987	61,790
Prepaid expenses and other current assets	8,641	6,623
Total current assets	104,098	119,975
Property, plant and equipment, net	37,090	36,679
Right of use assets	4,465	-
Taxes receivable	-	1,666
Deferred tax assets, net	21,018	18,639
Intangible assets, net	4,997	8,460
Goodwill	1,015	4,668
Total assets	$ 172,683	$ 190,087
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 4,532	$ 4,065
Current lease liability	1,905	-
Accounts payable	7,579	12,881
Accrued expenses	8,838	8,699
Accrued compensation	4,980	7,035
Total current liabilities	27,834	32,680
Other tax obligations	2,532	2,587
Long-term lease liability	2,655	-
Long-term debt, net of current portion	26,341	17,541
Postretirement benefit and pension obligations	67,338	53,900
Total liabilities	126,700	106,708
Stockholders' equity:		
Class A common stock $1 par (20,000,000 shares authorized; 6,308,025 outstanding at June 30, 2020 and 6,206,525 outstanding at June 30, 2019)	6,308	6,207
Class B common stock $1 par (10,000,000 shares authorized; 679,680 outstanding at June 30, 2020 and 689,577 outstanding at June 30, 2019)	680	690
Additional paid-in capital	55,762	55,276
Retained earnings	58,648	80,487
Accumulated other comprehensive loss	(75,415)	(59,281)
Total stockholders' equity	45,983	83,379
Total liabilities and stockholders' equity	$ 172,683	$ 190,087

See notes to consolidated financial statements

THE L.S. STARRETT COMPANY
Consolidated Statements of Operations
(in thousands except per share data)

	Years Ended		
	6/30/20	**6/30/19**	**6/30/18**
Net sales	$ 201,451	$ 228,022	$ 216,328
Cost of goods sold	139,241	153,081	146,771
Gross margin	62,210	74,941	69,557
% of net sales	30.9%	32.9%	32.2%
Selling, general and administrative expenses	59,437	63,720	64,039
Restructuring charges	1,580	-	-
Goodwill and intangibles impairment	6,496	-	-
Operating income (loss)	(5,303)	11,221	5,518
Other (expense) income	(14,694)	(1,611)	(653)
Earnings (loss) before income taxes	(19,997)	9,610	4,865
Income tax expense	1,842	3,531	8,498
Net earnings (loss)	$ (21,839)	$ 6,079	$ (3,633)
Basic and diluted earnings (loss) per share	$ (3.14)	$ 0.87	$ (0.52)
Average outstanding shares used in per share calculations:			
Basic	6,949	6,957	7,014
Diluted	6,949	7,026	7,014
Dividends per share	$ 0.00	$ 0.00	$ 0.20

See notes to consolidated financial statements

THE L. S. STARRETT COMPANY
Consolidated Statements of Comprehensive (Loss)
(in thousands)

	Years Ended		
	6/30/20	**6/30/19**	**6/30/18**
Net earnings (loss)	$ (21,839)	$ 6,079	$ (3,633)
Other comprehensive (loss) income:			
Currency translation (loss), net of tax	(12,316)	(593)	(5,603)
Pension and postretirement plans, net of tax of $(962), $(3,140) and $1,908, respectively	(3,818)	(9,488)	6,428
Other comprehensive (loss) income	(16,134)	(10,081)	825
Total comprehensive (loss)	$ (37,973)	$ (4,002)	$ (2,808)

See notes to consolidated financial statements

THE L.S. STARRETT COMPANY
Consolidated Statements of Stockholders' Equity
(in thousands except per share data)

	Common Stock Outstanding Class A	Common Stock Outstanding Class B	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, July 1, 2017	$ 6,268	$ 762	$ 55,579	$ 79,402	$ (49,985)	$ 92,026
Total comprehensive (loss) income	-	-	-	(3,633)	825	(2,808)
Dividends ($0.20 per share)	-	-	-	(1,401)	-	(1,401)
Repurchase of shares	(58)	(8)	(497)	-	-	(563)
Issuance of stock	20	20	279	-	-	319
Stock-based compensation	18	-	280	-	-	298
Conversion	54	(54)	-	-	-	-
Balance, June 30, 2018	6,302	720	55,641	74,368	(49,160)	87,871
Total comprehensive (loss) income	-	-	-	6,079	(10,081)	(4,002)
Transfer of historical translation adjustment	-	-	-	40	(40)	-
Repurchase of shares	(154)	(5)	(791)	-	-	(950)
Issuance of stock	-	15	66	-	-	81
Stock-based compensation	19	-	360	-	-	379
Conversion	40	(40)	-	-	-	-
Balance, June 30, 2019	6,207	690	55,276	80,487	(59,281)	83,379
Total comprehensive (loss) income	-	-	-	(21,839)	(16,134)	(37,973)
Repurchase of shares	-	(6)	(20)	-	-	(26)
Issuance of stock	-	21	52	-	-	73
Stock-based compensation	76	-	454	-	-	530
Conversion	25	(25)	-	-	-	-
Balance, June 30, 2020	$ 6,308	$ 680	$ 55,762	$ 58,648	$ (75,415)	$ 45,983
Cumulative balance:						
Currency translation loss, net of taxes					$ (61,874)	
Pension and postretirement plans, net of taxes					(13,541)	
					$ (75,415)	

See notes to consolidated financial statements

THE L. S. STARRETT COMPANY
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended		
	6/30/20	6/30/19	6/30/18
Cash flows from operating activities:			
Net earnings (loss)	$ (21,839)	$ 6,079	$ (3,633)
Non cash operating activities:			
Depreciation	5,206	5,047	5,462
Amortization	1,990	2,291	2,049
Goodwill and intangibles impairment	6,496	-	-
Stock-based compensation	530	379	298
Net long-term tax obligations	1,881	(20)	80
Deferred taxes	(1,802)	1,202	7,228
Postretirement benefit and pension obligations	16,823	1,000	876
Working capital changes:			
Accounts receivable	2,284	(3,210)	(4,282)
Inventories	1,603	(4,204)	(3,461)
Other current assets	(3,071)	610	(822)
Other current liabilities	(3,369)	4,463	4,521
Prepaid pension expense	(8,035)	(5,766)	(4,761)
Other	140	526	500
Net cash (used in) provided by operating activities	(1,163)	8,397	4,055
Cash flows from investing activities:			
Purchases of property, plant and equipment	(9,277)	(5,765)	(4,345)
Software development	(1,323)	(1,462)	(1,417)
Net cash (used in) investing activities	(10,600)	(7,227)	(5,762)
Cash flows from financing activities:			
Proceeds from borrowings	14,850	4,300	6,797
Debt repayments	(5,583)	(3,656)	(3,444)
Proceeds from common stock issued	73	81	319
Repurchase of shares	(26)	(950)	(563)
Dividends paid	-	-	(1,401)
Net cash provided by (used in) financing activities	9,314	(225)	1,708
Effect of translation rate changes on cash	325	(190)	219
Net increase (decrease) in cash	(2,124)	755	220
Cash beginning of year	15,582	14,827	14,607
Cash end of year	$ 13,458	$ 15,582	$ 14,827
Supplemental cash flow information:			
Interest paid	$ 953	$ 884	$ 667
Taxes paid	1,994	2,262	122

See notes to consolidated financial statements

1. DESCRIPTION OF BUSINESS

The L. S. Starrett Company (the "Company") is incorporated in the Commonwealth of Massachusetts and is in the business of manufacturing industrial, professional and consumer measuring and cutting tools and related products. The Company's manufacturing operations are primarily in North America, Brazil, China and the United Kingdom "U.K.". The largest consumer of these products is the metalworking industry, but others include automotive, aviation, marine, farm, do-it-yourselfers and tradesmen such as builders, carpenters, plumbers and electricians.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation: The consolidated financial statements include the accounts of The L. S. Starrett Company and its subsidiaries, all of which are wholly-owned. All intercompany items have been eliminated in consolidation.

Cash: Cash held by foreign subsidiaries amounted to $7.1 million and $8.9 million at June 30, 2020 and June 30, 2019, respectively. Of the June 30, 2020 balance, $4.3 million in U.S. dollar equivalents was held in British Pounds Sterling and $0.7 million in U.S. dollar equivalents was held in Brazilian Reals. Of the June 30, 2019 balance, $4.6 million in U.S. dollar equivalents was held in British Pounds Sterling and $2.6 million in U.S. dollar equivalents was held in Brazilian Reals.

The Company plans to permanently reinvest cash held in foreign subsidiaries. Cash held in foreign subsidiaries is not available for use in the U.S. without the likely incurrence of U.S. federal and state income and withholding tax consequences.

Financial instruments and derivatives: The Company's financial instruments include cash, accounts receivable, accounts payable, accrued expenses and debt. The carrying value of cash and accounts receivable approximates fair value because of the short-term nature of these instruments. The carrying value of debt, which is at current market interest rates, also approximates its fair value. The Company's U.K. subsidiary utilizes forward exchange contracts to reduce currency risk. The notional amounts of contracts outstanding as of both June 30, 2020 and June 30, 2019 were zero.

Accounts receivable: Accounts receivable consist of trade receivables from customers. The expense (income) for bad debts amounted to $0.2 million, $(0.1) million, and $0.5 million in fiscal 2020, 2019 and 2018, respectively. In establishing the allowance for doubtful accounts, management considers historical losses, the aging of receivables and existing economic conditions.

Inventories: Inventories are stated at the lower of cost or market. "Market" is defined as "net realizable value," or the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Substantially all United States inventories are valued using the last-in-first-out "LIFO" method. All non-U.S. subsidiaries use the first-in-first-out "FIFO" method or the average cost method. LIFO is not a permissible method of inventory costing for tax purposes outside the U.S.

Property Plant and Equipment: The cost of buildings and equipment is depreciated using straight-line and accelerated methods over their estimated useful lives as follows: buildings and building improvements 10 to 50 years, machinery and equipment 3 to 12 years. The construction in progress balances in buildings, building improvements and machinery and equipment at June 30, 2020 and June 30, 2019 were $0.6 million and $1.9 million, respectively. Repairs and maintenance of equipment are expensed as incurred.

Leases: The Company adopted Accounting Standards Codification 842, Leases ("ASC 842") July 1, 2019. The Company has leased buildings, manufacturing equipment and autos that are classified as operating lease right-of use "ROU" assets and operating lease liabilities in the Company's Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement.

Although currently the Company's Finance Leases are considered di minimis, leases are capitalized under the criteria set forth in Accounting Standards Codification (ASC) 842, "Leases".

Long-Lived Asset Impairment: Impairment losses are recorded when indicators of impairment, such as plant closures, are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. Goodwill impairment analysis fair values are calculated on a discounted cash flow basis.

Recoverability of the net book value of long-lived assets is determined by comparison of the carrying amount to estimated future undiscounted net cash flows the asset group is expected to generate. Estimating these cash flows and terminal values requires management to make judgments about the growth in demand for our products, sustainability of gross margins, and our ability to achieve economies of scale. If assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

During the fourth quarter, as a result of the COVID-19 pandemic which was considered to be a triggering event, at the private software company and Bytewise, due to its negative impact on the Company's revenue the Company performed the intangible assets impairment assessment by running a quantitative analyses on an undiscounted basis for the long-lived assets, including intangible assets of Bytewise and the private software company, respectively. As a result of this analysis, the Company concluded that the private software company's intangible assets were impaired $2.8 million. It was determined that there was no impairment of long-lived assets or intangibles at the Bytewise reporting unit.

Intangible assets: Identifiable intangibles are recorded at cost and are amortized on a straight-line basis over a 5-20 year period. The estimated useful lives of the intangible assets subject to amortization are: 10-15 years for patents, 14-20 years for trademarks and trade names, 5-10 years for completed technology, 8 years for non-compete agreements, 8-16 years for customer relationships and 5 years for software development. The Company recorded an impairment charge of $2.8 million in fiscal year 2020 and none in fiscal years 2019 and 2018. See Note 6 "Goodwill and Intangibles" to the Consolidated Financial Statements for impairment charges.

Goodwill: Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization but is tested for impairment annually and at any time when events suggest impairment may have occurred. The Company annually tests the goodwill of two reporting units associated with the November 2011 acquisition of Bytewise and the February 2017 acquisition of a private software company. Bytewise is tested in October and the software reporting unit is tested in February. The Company contracted with a professional valuation firm "the firm" to perform a quantitative analysis (commonly referred to as "Step One") for its February 1, 2020 annual assessment of goodwill associated with its purchase of a private software company. The firm assisted the Company in estimating fair value using an income approach based on the present value of future cash flows. The Company believes this approach yields the most appropriate evidence of fair value. During the March quarter fiscal year 2020, it determined the fair value assessment of the software development company's goodwill exceeded the carrying amount.

The Company performed a qualitative analysis of its Bytewise reporting unit for its October 1, 2019 annual assessment of goodwill (commonly referred to as "Step Zero"). From a qualitative perspective, in evaluating whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, relevant events and circumstances are taken into account, with greater weight assigned to events and circumstances that most affect the fair value or the carrying amounts of its assets. Items that were considered included, but were not limited to, the following: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and changes in management or key personnel.

During the June quarter fiscal year 2020 the Company, considering the COVID-19 pandemic a triggering event at the private software company and Bytewise due to lower sales, tested the Goodwill at both reporting units and concluded that the fair value, on a discounted cash flow basis, was less than the carrying value and took a goodwill impairment charge of $3.7 million. See Note 6 "Goodwill and Intangibles" to the Consolidated Financial Statements for impairment charges.

Revenue recognition: On July 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers, and all the related amendments ("ASC Topic 606"), using the modified retrospective method. In addition, the Company elected to apply certain of the permitted practical expedients within the revenue recognition guidance and make certain accounting policy elections, including those related to significant financing components, sales taxes and shipping and handling activities. Most of the changes resulting from the adoption of ASC Topic 606 on July 1, 2018 were changes in presentation within the Consolidated Balance Sheet. Therefore, while the Company made adjustments to certain opening balances on its July 1, 2018 Consolidated Balance Sheet, the Company made no adjustment to opening Retained Earnings. The impact of the adoption of ASC Topic 606 has been immaterial to its net income on an ongoing basis; however, adoption did increase the level of disclosures concerning net sales. Results for reporting periods beginning July 1, 2018 are presented under the new guidance, while prior period amounts continue to be reported in accordance with previous guidance without revision.

The core principle of ASC Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The application of the FASB's guidance on revenue recognition requires the Company to recognize as revenue the amount of consideration that the Company expects to receive in exchange for goods and services transferred to our customers. To do this, the Company applies the five-step model prescribed by the FASB, which requires us to: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation.

The Company accounts for a contract or purchase order when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the product passes to the customer, which is upon shipment, unless otherwise specified within the customer contract or on the purchase order as delivery, and is recognized at the amount that reflects the consideration the Company expects to receive for the products sold, including various forms of discounts. When revenue is recorded, estimates of returns are made and recorded as a reduction of revenue. Contracts with customers are evaluated to determine if there are separate performance obligations related to timing of product shipment that will be satisfied in different accounting periods. When that is the case, revenue is deferred until each performance obligation is met. No performance obligation related amounts were deferred as of June 30, 2020. Purchase orders are of durations less than one year. As such, the Company applies the practical expedient in ASC paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, for which work has not yet been performed.

Certain taxes assessed by governmental authorities on revenue producing transactions, such as value added taxes, are excluded from revenue and recorded on a net basis. Cooperative advertising payments made to customers are included as advertising expense in selling, general and administrative expense in the Consolidated Statements of Operations.

Performance Obligations

The Company's primary source of revenue is derived from the manufacture and distribution of metrology tools and equipment and saw blades and related products sold to distributors. The Company recognizes revenue for sales to our customers when transfer of control of the related good or service has occurred. Any of the Company's revenue not recognized under the point in time approach for the year ended June 30, 2020, was determined to be immaterial. Contract terms with certain metrology equipment customers could result in products and services being transferred over time as a result of the customized nature of some of the Company's products, together with contractual provisions in the customer contracts that provide the Company with an enforceable right to payment for performance completed to date; however, under typical terms, the Company does not have the right to consideration until the time of shipment from its manufacturing facilities or distribution centers, or until the time of delivery to its customers. If certain contracts in the future provide the Company with this enforceable right of payment, the timing of revenue recognition from products transferred to customers over time may be slightly accelerated compared to the Company's right to consideration at the time of shipment or delivery.

The Company's typical payment terms vary based on the customer, geographic region, and the type of goods and services in the contract or purchase order. The period of time between invoicing and when payment is due is typically not significant. Amounts billed and due from the Company's customers are classified as receivables on the Consolidated Balance Sheet. As the Company's standard payment terms are usually less than one year, the Company has elected the practical expedient under ASC paragraph 606-10-32-18 to not assess whether a contract has a significant financing component.

The Company's customers take delivery of goods, and they are recognized as revenue at the time of transfer of control to the customer, which is usually at the time of shipment, unless otherwise specified in the customer contract or purchase order. This determination is based on applicable shipping terms, as well as the consideration of other indicators, including timing of when the Company has a present right to payment, when physical possession of products is transferred to customers, when the customer has the significant risks and rewards of ownership of the asset, and any provisions in contracts regarding customer acceptance.

While unit prices are generally fixed, the Company provides variable consideration for certain of our customers, typically in the form of promotional incentives at the time of sale. The Company utilizes the most likely amount consistently to estimate the effect of uncertainty on the amount of variable consideration to which the Company would be entitled. The most likely amount method considers the single most likely amount from a range of possible consideration amounts. The most likely amounts are based upon the contractual terms of the incentives and historical experience with each customer. The Company records estimates for cash discounts, promotional rebates, and other promotional allowances in the period the related revenue is recognized ("Customer Credits"). The provision for Customer Credits is recorded as a reduction from gross sales and reserves for Customer Credits are presented within accrued sales incentives on the Consolidated Balance Sheet. Actual Customer Credits have not differed materially from estimated amounts for each period presented. Amounts billed to customers for shipping and handling are included in net sales and costs associated with shipping and handling are included in cost of sales. The Company has concluded that its estimates of variable consideration are not constrained according to the definition within the new standard. Additionally, the Company applies the practical expedient in ASC paragraph 606-10-25-18B and accounts for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment activity, rather than a separate performance obligation.

With the adoption of ASC Topic 606, the Company reclassified certain amounts related to variable consideration. Under ASC Topic 606, the Company is required to present a refund liability and a return asset within the Consolidated Balance Sheet, whereas in periods prior to adoption, the Company presented the estimated margin impact of expected returns as a contra-asset within accounts receivable. The changes in the refund liability are reported in net sales, and the changes in the return asset are reported in cost of sales in the Consolidated Statements of Operations. As a result, the balance sheet presentation was adjusted beginning in fiscal 2019. As of June 30, 2020, and 2019, the balances of the return asset were $0.1 million and the balance of the refund liability were $0.2 million, and they are presented within prepaid expenses and other current assets and accrued expenses, respectively, on the Consolidated Balance Sheet.

The Company, in general, warrants its products against certain defects in material and workmanship when used as designed, for a period of up to 1 year. The Company does not sell extended warranties.

Contract Balances

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on contracts with customers. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to contracts where advance payments or deposits have been received, but performance obligations have not yet been met, and therefore, revenue has not been recognized. The Company had no contract asset balances, but had contract liability balances of $0.4 million and $0.3 at June 30, 2020 and 2019, respectively.

Allowance for doubtful accounts: The allowance for doubtful accounts of $0.7 million at the end of fiscal 2020 compared to $0.7 million at the end of fiscal 2019 is based on our assessment of the collectability of specific customer accounts and the aging of our accounts receivable. While the Company believes that the allowance for doubtful accounts is adequate, if there is a deterioration of a major customer's credit worthiness, actual write-offs are higher than our previous experience, or actual future returns do not reflect historical trends, the estimates of the recoverability of the amounts due the Company could be adversely affected.

Advertising costs: The Company's policy is to generally expense advertising costs as incurred, except catalogs costs, which are deferred until mailed. Advertising costs were expensed as follows: $3.6 million in fiscal 2020, $5.0 million in fiscal 2019 and $5.1 million in fiscal 2018 and are included in selling, general and administrative expenses.

Freight costs: The cost of outbound freight and the cost for inbound freight included in material purchase costs are both included in cost of sales.

Warranty expense: The Company's warranty obligation is generally one year from shipment to the end user and is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Historically, the Company has not incurred significant warranty expense and consequently its warranty reserves are not material.

Pension and Other Postretirement Benefits: The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees. The Company also has defined contribution plans. The Company amended its Postretirement Medical Plan effective December 31, 2013, whereby the Company terminated eligibility for employees under the age of 65.

On December 21, 2016, the Company amended the U.S. defined benefit pension plan to freeze benefit accruals effective December 31, 2016. Consequently, the Plan is closed to new participants and current participants no longer earn additional benefits after December 31, 2016. The U.K. Plan was closed to new entrants in fiscal 2009.

The Company sponsors funded U.S. and non-U.S. defined benefit pension plans covering the majority of our U.S. and U.K. employees. The Company also sponsors an unfunded postretirement benefit plan that provides health care benefits and life insurance coverage to eligible U.S. retirees. Under the Company's current accounting method, both pension plans use fair value as the market-related value of plan assets and continue to recognize actuarial gains or losses within the corridor in other comprehensive income (loss) but instead of amortizing net actuarial gains or losses in excess of the corridor in future periods, such excess gains and losses, if any, are recognized in net periodic benefit cost as of the plan measurement date, which is the same as the fiscal year end of the Company. This mark-to-market (MTM adjustment) method is a permitted option which results in immediate recognition of excess net actuarial gains and losses in net periodic benefit cost instead of in other comprehensive income (loss). Such immediate recognition in net periodic benefit cost increases the volatility of net periodic benefit cost. The MTM adjustments to net periodic benefit cost for fiscal years 2020, 2019 and 2018 were $16.9 million, $0.3 million, and $0.1 million, respectively.

Income taxes: Deferred tax expense results from differences in the timing of certain transactions for financial reporting and tax purposes. Deferred taxes have not been recorded on approximately $56.4 million of undistributed earnings of foreign subsidiaries as of June 30, 2020 and the related unrealized translation adjustments because such amounts are considered permanently invested. In addition, it is possible that remittance taxes, if any, would be reduced by U.S. foreign tax credits to the extent available, after consideration of U.S. Tax Reform and the dividends received deduction. Valuation allowances are recognized if, based on the available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

Research and development: Research and development costs are expensed, primarily in selling, general and administrative expenses, and were as follows: $3.8 million in fiscal 2020, $3.7 million in fiscal 2019, and $3.6 million in fiscal 2018.

Earnings per share (EPS): Basic EPS is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution by securities that could share in the earnings. The Company had 86,065, 68,378, and 23,771, of potentially dilutive common shares in fiscal 2020, 2019 and 2018, respectively, resulting from shares issuable under its stock-based compensation plans. These additional shares are not used in the diluted EPS calculation in loss years.

Translation of foreign currencies: The assets and liabilities on the financial statements of our foreign subsidiaries where the local currency is in functional currency, are translated at exchange rates in effect on reporting dates. The income statement is translated at average exchange rates over the reporting month throughout the year.

As equity accounts in the Consolidated Financial Statements are translated at historical exchange rates, the resulting foreign currency translation adjustments "CTA" are recorded in other comprehensive income (loss).

Other foreign subsidiaries may also contain assets or liabilities denominated in a currency other than the prevailing functional currency. These translations are adjusted into the functional currency on a monthly basis, See Note 10 "Other Income and Expense" to the Consolidated Financial Statements.

Use of accounting estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Judgments, assumptions and estimates are used for, but not limited to: the allowances for doubtful accounts receivable and returned goods; inventory allowances; income tax valuation allowances, goodwill, uncertain tax positions and pension obligations. Amounts ultimately realized could differ from those estimates.

Recently Adopted Accounting Standards:

The Company adopted ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715) in FY19: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (NPBC). This update requires that an employer disaggregate the service cost component from the other components of NPBC. In addition, only the service cost component will be eligible for capitalization. The amendments in this update are required to be applied retrospectively for the presentation of the service cost component and the other components of NPBC in the Consolidated Statement of Operations and prospectively, on and after the adoption date, for the capitalization of the service cost component of NPBC in assets. As required by the transition provisions of this update, the following table shows the impact of the adoption on the respective line items in the Consolidated Statement of Operations for fiscal years 2020 and 2019 and the reclassifications to the fiscal year 2018 Consolidated Statement of Operations to retroactively apply classification of the service cost component and the other components of NPBC:

(Dollars in Thousands)	Increase (Decrease) to Net Income		
	FY 2020	FY 2019	FY 2018
Cost of goods sold decrease	$ 12,790	$ 710	$ 582
Selling, general and administrative expense decrease	3,963	220	212
Other income (expense) net	(16,753)	(930)	(794)
	$ -	$ -	$ -

The Company adopted Accounting Standards Codification 842, Leases ("ASC 842") July 1, 2019. As a result, the Company updated its significant accounting policies for leases. Refer to Note 8 "Leases" to the Consolidate Financial Statements for additional information related to the Company's lease arrangements and the impact of the adoption of ASC 842.

The Company has leased buildings, manufacturing equipment and autos that are classified as operating lease right-of use "ROU" assets and operating lease liabilities in the Company's Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement.

The Company estimates its incremental borrowing rate for its leases using a portfolio approach based on the respective weighted average term of the agreements. The estimation considers the market rates of the Company's outstanding borrowings and rates of external outstanding borrowings including market comparisons. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of goods sold and sales, general and administrative expenses.

The Company adopted the standard beginning this fiscal year. The Company has elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component, thus causing all fixed payments to be capitalized. The Company also elected the package of practical expedients permitted within the new standard, which among other things, allows the Company to carry forward historical lease classification. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the ROU assets or operating lease liabilities. These are expensed as incurred and recorded as variable lease expense. The Company determines if an arrangement is a lease at the inception of a contract. Operating lease ROU assets and operating lease liabilities are stated separately in the Consolidated Balance Sheet.

In preparation for adoption of the standard, the Company has implemented internal controls such as updated accounting policies and expanded data gathering procedures to comply with the additional disclosure requirements. The adoption had a material impact on the Company's Consolidated Balance Sheets, but did not have a material impact on our Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." Under the new guidance, if a reporting unit's carrying value amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard eliminates the requirement to calculate goodwill impairment using Step 2, which calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount. The standard does not change the guidance on completing Step 1 of the goodwill impairment test. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2019 and should be applied prospectively for annual and any interim goodwill impairment tests. The Company adopted this guidance in fiscal year 2020.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". For deferred tax items recognized in Accumulated Other Comprehensive Income (AOCI), changes in tax rates can leave amounts "stranded" in AOCI. Under ASU 2018-02, FASB has given companies an option to reclassify the stranded tax effects resulting from the tax law and tax rate changes under the Tax Cuts and Jobs Act of 2017 from AOCI to retained earnings. This guidance is effective for fiscal years beginning after December 15, 2018 and requires companies to disclose whether they are or are not opting to reclassify the income tax effects from the new 2017 tax act. The adoption of this standard did not have a material impact on the Company's financial position and results of operations upon adoption

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement ('Topic 820'): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The ASU modifies the disclosure requirements in Topic 820, Fair Value Measurement, by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This ASU is effective for public companies for annual reporting periods and interim periods within those annual periods beginning after December 15, 2019. The adoption of this standard did not have a material impact on the Company's financial position and results of operations upon adoption

Recently Issued Accounting Standards not yet Adopted:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and subsequent amendment to the guidance, ASU 2018-19 in November 2018. The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. The amendment will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2018-19 clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. The amendments should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. The adoption of this standard did not have a material impact on the Company's financial position and results of operations upon adoption

In August 2018, the FASB issued ASU No. 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." ASU 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and added additional disclosures. This ASU is effective for public companies for annual reporting periods and interim periods within those annual periods beginning after December 15, 2020. The amendments in ASU 2018-14 must be applied on a retrospective basis. The Company is currently assessing the effect, if any, that ASU 2018-14 will have on its consolidated financial statements.

3. STOCK-BASED COMPENSATION

Long-Term Incentive Plan

On September 5, 2012, the Board of Directors adopted The L.S. Starrett Company 2012 Long Term Incentive Plan (the "2012 Stock Plan"). The 2012 Stock Plan was approved by shareholders on October 17, 2012, and the material terms of its performance goals were re-approved by shareholders at the Company's Annual Meeting held on October 18, 2017. The 2012 Stock Plan permits the granting of the following types of awards to officers, other employees and non-employee directors: stock options; restricted stock awards; unrestricted stock awards; stock appreciation rights; stock units including restricted stock units; performance awards; cash-based awards; and awards other than previously described that are convertible or otherwise based on stock. The 2012 Stock Plan provides for the issuance of up to 500,000 shares of A shares common stock.

Options granted vest in periods ranging from one year to three years and expire ten years after the grant date. Restricted stock units ("RSU") granted generally vest from one year to three years. Vested restricted stock units will be settled in A shares of common stock. As of June 30, 2020, there were 20,000 stock options and 242,840 restricted stock units outstanding. In addition, there were 119,533 shares available for grant under the 2012 Stock Incentive Plan as of June 30, 2020.

For stock option grants, the fair value of each grant is estimated at the date of grant using the Binomial Options pricing model. The Binomial Options pricing model utilizes assumptions related to stock volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of the grant. The expected life is determined using the average of the vesting period and contractual term of the options (simplified method).

There were no stock options granted during fiscal years 2020, 2019 or 2018.

The weighted average contractual term for stock options outstanding as of June 30, 2020 was 2.5 years. The aggregate intrinsic value of stock options outstanding as of June 30, 2020 was less than $0.1 million. There were 20,000 options exercisable as of June 30, 2020. In recognizing stock compensation expense for the 2012 Stock Incentive Plan management has estimated that there will be no forfeitures of options.

The Company accounts for RSU awards by recognizing the expense of the intrinsic value at the award date ratably over vesting periods generally ranging from one year to three years. The related expense is included in selling, general and administrative expenses. During the year ended June 30, 2020, the Company granted 110,500 RSU awards with fair values of $5.34 per RSU award, and there were no RSU's forfeited. During the year ended June 30, 2019, the Company granted 67,000 RSU awards with fair values of $6.34 per RSU award. During the year ended June 30, 2018, the Company granted 62,000 RSU awards with fair values of $7.22 per RSU award.

There were 64,661 and 10,800 RSU awards settled in fiscal years 2020 and 2019 respectively. The aggregate intrinsic value of RSU awards outstanding as of June 30, 2020 was $0.8 million. The aggregate intrinsic value of RSU awards outstanding as of June 30, 2019 was $1.3 million. Compensation expense related to the 2012 Stock Incentive Plan was $345,000, $232,000 and $134,000 for fiscal 2020, 2019 and 2018 respectively. As of June 30, 2020, there was $2.0 million of total unrecognized compensation costs related to outstanding stock-based compensation arrangements. Of this cost, $1.7 million relates to performance based RSU grants that are not expected to be awarded. The remaining $0.3 million is expected to be recognized over a weighted average period of 2.1 years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plans (ESPP) give eligible employees an opportunity to participate in the success of the Company. The Board of Directors renews each Employee Stock Purchase Plan every five years. Under these plans the purchase price of the optioned stock is 85% of the lower of the market price on the date the option is granted or the date it is exercised. Options become exercisable exactly two years from the date of grant and expire if not exercised on such date. No ESPP options were exercisable at fiscal year ends. The Board of Directors last approved an ESPP renewal in 2017. No additional options will be granted under the previous 2012 plan. A summary of option activity is as follows:

	Shares on Options	Weighted Average Exercise Price	Shares Available for Grant
Balance, July 1, 2017	77,285		365,581
2012 Plan Expired	-		(365,581)
2017 Plan Authorized	-		500,000
Options granted	63,607	6.35	(63,607)
Options exercised	(17,561)	6.69	-
Options canceled	(52,816)		13,614
Balance, June 30, 2018	70,515		450,007
Options granted	55,227	5.45	(55,227)
Options exercised	(11,981)	5.72	-
Options canceled	(26,628)		18,087
Balance, June 30, 2019	87,133		412,867
Options granted	86,946	3.63	(86,946)
Options exercised	(20,615)	3.52	-
Options canceled	(54,271)		54,271
Balance, June 30, 2020	99,193		380,192

The following information relates to outstanding options as of June 30, 2020:

Weighted average remaining life (years)		1.3
Weighted average fair value on grant date of options granted in:		
2018	$	2.23
2019		2.28
2020		1.63

The fair value of each option grant was estimated on the date of grant based on the Black-Scholes option pricing model with the following weighted average assumptions: expected stock volatility – 46.72% – 48.95%, risk free interest rate – 0.17% – 1.66%, expected dividend yield - 0% - 0% and expected lives - 2 years. Compensation expense of $0.1 million, $0.1 million and $0.1 million has been recorded for fiscal 2020, 2019 and 2018, respectively.

Employee Stock Ownership Plan

On February 5, 2013, the Board of Directors adopted The L.S. Starrett Company 2013 Employee Stock Ownership Plan (the “2013 ESOP”). The purpose of the plan is to supplement existing Company programs through an employer funded individual account plan dedicated to investment in common stock of the Company, thereby encouraging increased ownership of the Company while providing an additional source of retirement income. The plan is intended as an employee stock ownership plan within the meaning of Section 4975 (e) (7) of the Internal Revenue Code of 1986, as amended. U.S. employees who have completed a year of service as of December 31, 2012 are eligible to participate. There was no compensation expense for the ESOP in 2020, 2019 or 2018.

4. CASH

Cash held by foreign subsidiaries amounted to $7.1 million and $8.9 million at June 30, 2020 and June 30, 2019, respectively. Of the June 30, 2020 balance, $4.6 million in U.S. dollar equivalents was held in British Pounds Sterling and $0.7 million in U.S. dollar equivalents was held in Brazilian Reals. Of the June 30, 2019 balance, $4.3 million in U.S. dollar equivalents was held in British Pounds Sterling and $2.6 million in U.S. dollar equivalents was held in Brazilian Reals.

The Company plans to permanently reinvest cash held in foreign subsidiaries. Cash held in foreign subsidiaries is not available for use in the U.S. without the likely incurrence of U.S. federal and state income and withholding tax consequences.

5. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2020	June 30, 2019
Raw materials and supplies	$ 26,255	$ 26,106
Goods in process and finished parts	13,694	17,464
Finished goods	37,579	41,500
	77,528	85,070
LIFO reserve	(24,541)	(23,280)
	$ 52,987	$ 61,790

Of the Company's $53.0 million and $61.8 million total inventory at June 30, 2020 and 2019, respectively, the $24.5 million and $23.3 million LIFO reserves belong to the U.S. Precision Tools and Saws Manufacturing "Core U.S." business. The Core U.S. business had total Inventory, on a FIFO basis, of $33.1 million and $8.6 million on a LIFO basis as of June 30, 2020. The Core U.S. business total inventory was $33.2 million on a FIFO basis and $9.8 million on a LIFO basis at June 30, 2019. The use of LIFO, as compared to FIFO, resulted in a $1.3 million increase in cost of sales for the goods sold in fiscal 2020 compared to a $1.6 million decrease in fiscal 2019.

6. GOODWILL AND INTANGIBLES

The following table presents information about the Company's goodwill and identifiable intangible assets on the dates indicated:

	June 30, 2020				June 30, 2019			
	Cost	Accumulated Amortization	Impairment	Net	Cost	Accumulated Amortization	Impairment	Net
Bytewise	$ 3,034	$ -	$ (3,034)	$ -	$ 3,034	$ -	$ -	$ 3,034
Private Software Company	1,634	-	(619)	1,015	1,634	-		1,634
Goodwill	4,668	-	(3,653)	1,015	4,668	-	-	4,668
Identifiable intangible assets	14,155	(6,316)	(2,842)	4,997	18,707	(10,247)	-	8,460

Identifiable intangible assets consist of the following (in thousands):

	June 30, 2020	June 30, 2019
Non-compete agreements	$ -	$ 600
Trademarks and trade names	2,070	2,070
Completed technology	2,010	2,010
Customer relationships	630	5,580
Software development	9,445	8,122
Other intangible assets	-	325
Total cost	14,155	18,707
Accumulated amortization	(6,316)	(10,247)
Intangibles impairment	(2,842)	-
Total net balance	$ 4,997	$ 8,460

Identifiable intangible assets are being amortized on a straight-line basis over the period of expected economic benefit. Amortization expense was $1.9 million, $2.3 million and $2.0 million for the year ended June 30, 2020, 2019 and 2018, respectively. The estimated aggregate amortization expense for each of the next five years, and thereafter, is as follows:

Fiscal Year	(In thousands)
2021	$ 1,377
2022	1,162
2023	928
2024	657
2025	501
Thereafter	373
	$ 4,997

The following tables provides Goodwill carried at fair value measuring on a non-recurring basis as of June 30, 2020. There were no assets and liabilities carried at fair value measured on a non-recurring basis as of June 30, 2019:

(in thousands)	Fair Value Measurements at June 30, 2020				Expense
Goodwill	Carrying Value	Level 1	Level 2	Level 3	Year ended June 30, 2020
private software company	$ 1,015	-	-	$ 1,015	$ 619
Bytewise	-	-	-	-	$ 3,034

The Company's acquisition of Bytewise in 2011 and a private software company in 2017 resulted in the recognition of goodwill totaling $4.7 million. The Company is required, on a set date, to annually assess its goodwill in order to determine whether or not it is more likely than not that the fair value of the reporting unit's goodwill exceeded its carrying amount. Determining the fair value of a reporting unit is subjective and requires the use of significant estimates and assumptions.

The Company contracted with a professional valuation firm "the firm" to perform a quantitative analysis (commonly referred to as "Step One") for its February 1, 2020 annual assessment of goodwill associated with its purchase of a private software company. The firm assisted the Company in estimating fair value using an income approach based on the present value of future cash flows. The Company believes this approach yields the most appropriate evidence of fair value. And during the March quarter fiscal year 2020 determined the fair value assessment of the software development company's goodwill exceeded the carrying amount.

The Company performed a qualitative analysis of its Bytewise reporting unit for its October 1, 2019 annual assessment of goodwill (commonly referred to as "Step Zero"). From a qualitative perspective, in evaluating whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, relevant events and circumstances are taken into account, with greater weight assigned to events and circumstances that most affect the fair value or the carrying amounts of its assets. Items that were considered included, but were not limited to, the following: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and changes in management or key personnel.

The Company determined the COVID-19 pandemic a triggering event at the private software company and Bytewise due to its negative impact on the Company's revenue. Under ASC 350 "Intangibles- Goodwill and Other", the Company is required to test whether it is more likely than not the fair value of the reporting units goodwill exceeded its carrying amount. As of period ending March 31, 2020, the Company determined the precise impact to the business was not knowable, and therefore, performed a sensitivity analysis assuming an annualized percentage reduction of 25% of the projected revenue in the June quarter fiscal year 2020 and fiscal year 2021 and calculated fair value over the book value of equity. After assessing these and other factors the Company determined, during the March quarter fiscal year 2020, that it was more likely than not that the fair value of the Bytewise reporting unit and private software company's fair value exceeded its carrying amount and the Company did not record an impairment charge.

During the fourth quarter of fiscal year 2020 the Company, considering the COVID-19 pandemic a triggering event for the private software company and Bytewise due to a drop in sales, performed the goodwill impairment assessment by running a quantitative analysis (commonly referred to as "Step One") for both the Bytewise reporting unit and the private software company. The Company determined that the fair value of the Bytewise and private software company using a discounted cash flow method for both reporting units. Based on this analysis, it was determined that the fair value of the reporting unit is below their respective carrying amounts. As a result, the Company concluded that Intangible Assets were impaired $2.9 million and Goodwill was impaired $0.6 million at the private software company and Goodwill of $3.0 million was impaired at the Bytewise reporting unit as of June 30, 2020.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of June 30, 2020 and 2019 (in thousands):

	As of June 30, 2020		
	Cost	Accumulated Depreciation	Net
Land	$ 1,186	$ -	$ 1,186
Buildings and building improvements	43,641	(29,966)	13,675
Machinery and equipment	115,563	(93,334)	22,229
Total	$ 160,390	$ (123,300)	$ 37,090

	As of June 30, 2019		
	Cost	Accumulated Depreciation	Net
Land	$ 1,210	$ -	$ 1,210
Buildings and building improvements	44,772	(30,427)	14,345
Machinery and equipment	117,386	(96,262)	21,124
Total	$ 163,368	$ (126,689)	$ 36,679

Any finance leases as of June 30, 2020 and June 30, 2019 are de minimis. Depreciation expense was $5.2 million, $5.0 million and $5.5 million for the years ended June 30, 2020, 2019 and 2018, respectively.

8. LEASES

The Company adopted Accounting Standards Codification 842, Leases "ASC 842" July 1, 2019. The Company has leased buildings, manufacturing equipment and autos that are classified as ROU assets and operating lease liabilities in the Company's Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement.

The Company has implemented internal controls such as updated accounting policies and expanded data gathering procedures to comply with the additional disclosure requirements. The adoption had a material impact on the Company's Consolidated Balance Sheets, but did not have a material impact on our Consolidated Statements of Operations or Consolidated Statements of Cash Flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

	Right-of-Use Assets	Operating Lease Obligations	Remaining Cash Commitment
Operating leases	$ 4,465	$ 4,560	$ 5,422

The Company's weighted average discount rate and remaining term on lease liabilities is approximately 9.0% and 4.2 years. As of June 30, 2020, the Company's financing leases are de minimis. The foreign exchange impact affecting the operating leases are de minimis. The Company has other operating lease agreements with commitments of less than one year or that are not significant. The Company elected the practical expedient option and as such, these lease payments are expensed as incurred.

The Company entered into $0.3 million in operating lease commitments in the twelve months ended June 30, 2020. At June 30, 2020, the Company had the following fiscal year minimum operating lease commitments (in thousands):

	Operating Lease Commitments
2021	2,228
2022	928
2023	734
2024	707
2025	349
Thereafter	476

Subtotal	$ 5,422
Imputed interest	(862)
Total	4,560

9. RESTRUCTURING COST

In June 2020, the Company recorded a restructuring charge of $1.6 million. The Company also expects, during fiscal 2021, an additional $2.4 million of expense associated with restructuring as a period cost at the time incurred.

The COVID-19 pandemic has had a negative impact on global sales. The impact was felt as early as January 2020 in the Company's operation in Suzhou, China and most significantly in March 2020 in North America and in the UK. We have taken austerity measures, reducing payroll and managing variable operational spending to help mitigate the shortfall. In addition, the Company is investing in a strategic realignment focused on a lower cost structure, long term, designed to maximize our global factory utilization. During fiscal 2020, the Company adopted a plan to consolidate certain saw manufacturing operations for greater efficiency. This restructuring is strategically targeting improving manufacturing utilization globally and will be carried out during fiscal 2021. The Company incurred $1.6 million in total restructuring accrual with $0.6 million in related charges for severance and $1.0 million in equipment related, freight and other costs. The remaining balance of the accrual at June 30, 2020 is $1.1 million, plus the $2.4 million period restructuring cost is planned to be incurred in the first three quarters of fiscal year 2021.

10. OTHER INCOME AND (EXPENSE)

Other income and expense consist of the following (in thousands):

	2020	2019	2018
Interest income	$ 90	71	$ 128
Interest expense	(975)	(976)	(845)
Foreign currency gain (loss), net	140	(426)	(316)
Brazil tax settlements	2,544	345	1,446
Patent lawsuit settlement	-	-	(666)
Sale of scrap material	100	110	70
Pension net periodic benefit cost (NPBC)	(16,753)	(930)	(794)
Other income (expense), net	160	195	324
	$ (14,694)	(1,611)	$ (653)

The impact of the adoption of ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" on the respective line items in the Consolidated Statement of Earnings for fiscal 2020, 2019 and 2018 is disclosed in Note 2 "Summary of Significant Accounting Policies".

11. INCOME TAXES

Components of earnings (loss) before income taxes are as follows (in thousands):

	2020	2019	2018
Domestic operations	$ (24,450)	$ 1,507	$ 1,351
Foreign operations	4,453	8,103	3,514
	$ (19,997)	$ 9,610	$ 4,865

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

	2020	2019	2018
Current:			
Federal	$ (19)	$ (106)	$ (991)
Foreign	3,633	2,398	2,256
State	30	37	5
Deferred:			
Federal	(1,514)	1,139	6,772
Foreign	53	(172)	(396)
State	(341)	235	852
	$ 1,842	$ 3,531	$ 8,498

Reconciliations of expected tax expense at the U.S. statutory rate to actual tax expense (benefit) are as follows (in thousands):

	2020	2019	2018
Expected tax (benefit) expense	$ (4,199)	$ 2,018	$ 1,365
State taxes, net of federal effect	(1,042)	(5)	-
Foreign taxes, net of federal credits	1,210	(1,055)	(1,010)
Change in valuation allowance	1,996	1,744	2,074
Tax reserve adjustments	1,946	(66)	(38)
Return to provision and other adjustments	372	(57)	(72)
Goodwill impairment	130	-	-
Tax rate change applied to deferred tax balances	54	(129)	6,324
Global intangible low taxed income	1,558	1,121	-
Other permanent items	(183)	(40)	(145)
Actual tax (benefit) expense	$ 1,842	$ 3,531	$ 8,498

On December 22, 2017, the Tax Cuts and Jobs Act ("the Act") was enacted in the United States. The Act reduces the U.S. federal corporate tax rate from a graduated rate of 35% to a flat rate of 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. Accounting Standard Codification ("ASC") 740 requires filers to record the effect of tax law changes in the period enacted. However, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), that permits filers to record provisional amounts during a measurement period ending no later than one year from the date of the Act's enactment.

During the fiscal year ended June 30, 2018, the Company recognized a provisional tax expense of $6.3 million as a reasonable estimate of the impact of the provisions of the Act, which was included as a component of income tax expense in its Consolidated Statement of Operations. During the fiscal year ended June 30, 2019, the Company completed the accounting for the tax effects of the enactment of the Act. The Company recorded additional foreign tax credits of ($1.8) million which were offset by a valuation allowance, resulting in a nil adjustment to the provisional tax expense previously recorded.

Beginning in fiscal 2019, the Company incorporated certain provisions of the Act in the calculation of the tax provision and effective tax rate, including the provisions related to the Global Intangible Low Taxed Income ("GILTI"), Foreign Derived Intangible Income ("FDII"), Base Erosion Anti Abuse Tax ("BEAT"), as well as other provisions, which limit tax deductibility of expenses. For fiscal 2020, the GILTI provisions have the most significant impact to the Company. Under the new law, U.S. taxes are imposed on foreign income in excess of a deemed return on tangible assets of its foreign subsidiaries. In general, this foreign income will effectively be taxed at an additional 10.5% tax rate reduced by any available current year foreign tax credits. The ability to benefit foreign tax credits may be limited under the GILTI rules as a result of the utilization of net operating losses, foreign sourced income and other potential limitations within the foreign tax credit calculation.

Interpretive guidance on the accounting for GILTI states that an entity can make an accounting policy election to either recognized deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has made the accounting policy election to recognize GILTI as a period expense.

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted in the United States on March 27, 2020. The CARES Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States economy and fund a nationwide effort to curtail the effect of COVID-19. While the CARES Act provides extensive tax changes in response to the COVID-19 pandemic, the provisions are not expected to have a significant impact on the Company's financial results.

The tax rate of (9.2%) on pre-tax losses of ($20.0) million in the year ended June 30, 2020 is lower than the U.S. statutory rate primarily as a result of the GILTI provisions, non-deductible goodwill impairment, as well as changes in the jurisdictional mix of earnings, particularly Brazil with a statutory tax rate of 34%. The tax rate was also negatively impacted by the write-off of the long-term receivable previously established for competent authority relief for historic transfer pricing adjustments which the Company has determined is no longer feasible to pursue and an increase in the valuation allowance against foreign tax credits which the Company has determined are more likely than not to expire unutilized.

The tax rate of 36.7% on pre-tax income of $9.6 million in the year ended June 30, 2019 is higher than the U.S. statutory rate primarily as a result of the GILTI provisions, which became effective in fiscal 2019, as well as changes in the jurisdictional mix of earnings, particularly Brazil with a statutory tax rate of 34%.

The tax rate of 174.7% on pre-tax income of $4.9 million in the year ended June 30, 2018 is higher than the U.S. statutory rate primarily as a result of the impact of the corporate tax rate reduction on the Company's net deferred tax assets. Excluding the impacts of tax reform, the tax rate of 44.7% for fiscal 2018 is higher than the U.S. statutory rate primarily as a result of an increase in the valuation allowance against foreign tax credits and state net operating loss carryforwards which the Company has determined are more likely than not to expire unutilized.

Net deferred tax assets at June 30, 2020 were $21.0 million. While these deferred tax assets reflect the tax effect of temporary differences between book and taxable income in all jurisdictions in which the Company has operations, the majority of the assets relate to U.S. operations. U.S. net deferred assets are $26.9 million with a valuation allowance of $8.8 million. The Company has considered the positive and negative evidence to determine the need for a valuation allowance offsetting the deferred tax assets in the U.S. and has concluded that a partial valuation allowance is required against foreign tax credit carryforwards due to the uncertainty of generating sufficient foreign source income to utilize those credits in the future and certain state net operating loss carryforward that will expire in the near future.

Key positive evidence considered include: a) domestic profitability in 2019 and 2018; b) cost saving plans are being implemented by the Company; c) indefinite federal loss carryforward periods and d) forecasted domestic profits for future years. The negative evidence considered is that fiscal years 2020 showed domestic book and tax losses due to the impact of the COVID-19 pandemic and charges recorded in the fourth quarter.

In fiscal 2020, the valuation allowance increased by $2.1 million due to the impact of the current year domestic loss generated and revised forecasts of income on the projected utilization of foreign tax credits that will expire at various dates through 2028. In fiscal 2019, the valuation allowance increased by $1.7 million primarily due to an increase in foreign tax credits that became available as a result of the one-time transition tax on foreign earnings, in excess of the limitation on their use as a result of the Company's overall domestic loss recapture.

Deferred income taxes at June 30, 2020 and 2019 are attributable to the following (in thousands):

	2020	2019
Inventories	$ 1,339	$ 1,361
Employee benefits (other than pension)	684	840
Operating lease liabilities	1,111	-
Book reserves	695	601
Federal NOL, various carryforward periods	716	66
State NOL, various carryforward periods	1,719	1,224
Foreign NOL, various carryforward periods	388	309
Foreign tax credit carryforward, expiring 2023 – 2028	7,212	7,329
Pension benefits	13,175	10,289
Retiree medical benefits	1,961	1,778
Depreciation	(186)	(17)
Intangibles	580	(630)
Right of use assets	(1,088)	-
Federal research and development and AMT credit carryforward	817	786
Other temporary taxable differences	(698)	-
Other temporary deductible differences	1,404	1,446
Total deferred tax assets	29,828	25,382
Valuation allowance	(8,811)	(6,743)
Net deferred tax asset	$ 21,018	$ 18,639

The Company is subject to U.S. federal income tax and various state, local and foreign income taxes in numerous jurisdictions. The Company's domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files. Reconciliations of the beginning and ending amount of unrecognized tax benefits are as follows (in thousands):

Balance at July 1, 2017	$ (11,588)
Increase for tax positions taken during the current period	(287)
Increase for tax positions taken during the prior period	(67)
Effect of exchange rate changes	130
Decrease relating to lapse of applicable statute of limitations	930
Balance at June 30, 2018	(10,882)
Increase for tax positions taken during the current period	(215)
Decrease for tax positions taken during the prior period	5

Effect of exchange rate changes	16
Decrease relating to lapse of applicable statute of limitations	137
Balance at June 30, 2019	(10,939)
Increase for tax positions taken during the current period	(326)
Increase for tax positions taken during the prior period	(188)
Effect of exchange rate changes	299
Decrease relating to lapse of applicable statute of limitations	48
Balance at June 30, 2020	$ (11,106)

As of June 30, 2020, 2019 and 2018, the Company has unrecognized tax benefits of $11.1 million, $10.9 million, and $10.9 million, respectively, of which $7.7 million, $5.6 million and $5.4 million, respectively, would favorably impact the effective tax rate if recognized.

The long-term tax obligations as of June 30, 2020, 2019 and 2018 relate primarily to transfer pricing adjustments. The Company has also recorded a non-current tax receivable for $0.0 million and $1.7 million at June 30, 2020 and 2019, respectively, representing the corollary effect of transfer pricing competent authority adjustments.

The Company has identified uncertain tax positions at June 30, 2020 for which it is possible that the total amount of unrecognized tax benefits will decrease within the next twelve months by $0.1 million. The Company recognizes interest and penalties related to income tax matters in income tax expense and has booked $0.1 million in fiscal 2020 for interest expense.

The Company's U.S. federal tax returns for years prior to fiscal 2017 are no longer subject to U.S. federal examination by the Internal Revenue Service; however, tax losses and credits carried forward from earlier years are still subject to review and adjustment. As of June 30, 2020, the Company has resolved all open income tax audits. In international jurisdictions, the years that may be examined vary by country. The Company's most significant foreign subsidiary in Brazil is subject to audit for the calendar years 2015 through 2019.

The federal tax loss carryforward of $3.4 million has an unlimited carryforward period. The state tax loss carryforwards tax effected benefit of $1.7 million expires at various times beginning in 2021. The state tax credit carryforwards of $0.6 million expires in the years 2021 through 2035. The foreign tax credit carryforward of $7.2 million expires in the years 2023 through 2028. The research and development tax credit carryforward of $0.8 million expires in the years 2029 through 2040. The foreign tax loss carryforwards of $2.3 million can be carried forward indefinitely.

At June 30, 2020, the estimated amount of total unremitted earnings of foreign subsidiaries is $56.4 million. The Company has no plans to repatriate prior year earnings of its foreign subsidiaries and, accordingly,does not believe it is practicable to estimate the unrecognized deferred taxes related to these earnings as they are indefinitely reinvested.   Cash held in foreign subsidiaries is not available for use in the U.S. without the likely incurrence of U.S. federal and state income and withholding tax consequences.

12. EMPLOYEE BENEFIT AND RETIREMENT PLANS

The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees.   The UK plan was closed to new entrants in fiscal 2009. The Company has a postretirement medical and life insurance benefit plan for U.S. employees. The Company also has defined contribution plans.

On December 21, 2016, the Company amended the U.S. defined benefit pension plan to freeze benefit accruals effective December 31, 2016. Consequently, the Plan is closed to new participants and current participants no longer earn additional benefits after December 31, 2016.

The Company amended its Postretirement Medical Plan effective December 31, 2013 whereby the Company terminated eligibility for employees ages 55-64. For retirees 65 and older, the Company's contribution is fixed at $28.50 or $23.00 per month depending upon the plan the retiree has chosen.

The total cost of all such plans for fiscal 2020, 2019 and 2018 was $18.6 million, $2.8 million and $2.7 million, respectively. Included in these amounts are the Company's contributions to the defined contribution plans amounting to $1.6 million, $1.7 million and $1.8 million in fiscal 2020, 2019 and 2018, respectively. The financial markets also had an adverse impact on earnings in fiscal 2020 as the increased demand for bonds and the associated decrease in interest rates significantly contributed to a $16.8 million non-cash pension expense due to higher liabilities. The pension liability is based upon the ten-year Corporate Bond Rate and is set on the last day of the fiscal year. This generally accepted accounting principle coupled with the historically low interest rates are driven by financial markets, economic policy and financial conditions. The discount rate to determine net cost for the US pension liability was lowered from 3.56% in June 2019 to 2.73% in June 2020. The amortization of the net pension loss was $0.3 million in fiscal year 2019 compared to $16.8 million in fiscal 2020.

Under both U.S and U.K. defined benefit plans, benefits are based on years of service and final average earnings. Plan assets consist primarily of investment grade debt obligations, marketable equity securities and shares of the Company's common stock. The asset allocation of the Company's domestic pension plan is diversified, consisting primarily of investments in equity and debt securities. The Company seeks a long-term investment return that is given reasonable prevailing capital market expectations. Target allocations are 40% to 70% in equities (including 10% to 20% in Company stock), and 30% to 60% in cash and debt securities.

In fiscal 2021, the Company will use an expected long-term rate of return assumption of 5.0% for the U.S. domestic pension plan, and 2.6% for the U.K. plan. In determining these assumptions, the Company considers the historical returns and expectations for future returns for each asset class as well as the target asset allocation of the pension portfolio as a whole. In fiscal 2020 and 2019, the Company used a discount rate assumption of 3.6% and 4.3% for the U.S. plan and 2.4% and 2.8% for the U.K. plan, respectively. In determining these assumptions, the Company considers published third party data appropriate for the plans.

Other than the discount rate, pension valuation assumptions are generally long-term and not subject to short-term market fluctuations, although they may be adjusted as warranted by structural shifts in economic or demographic outlooks. Long-term assumptions are reviewed annually to ensure they do not produce results inconsistent with current market conditions. The discount rate is adjusted annually based on corporate investment grade (rated AA or better) bond yields, the maturities of which are correlated with the expected timing of future benefit payments, as of the measurement date.

Based upon the actuarial valuations performed on the Company's defined benefit plans as of June 30, 2020 the contribution for fiscal 2021 for the U.S. plans will require a contribution of $7.0 million and the U.K. plan will require one of $0.9 million.

The table below sets forth the actual asset allocation for the assets within the Company's plans.

	2020	**2019**
Asset category:		
Cash equivalents	4%	2%
Fixed income	27%	31%
Equities	40%	35%
Mutual and pooled funds	29%	32%
	100%	100%

The Company determines its investments strategies based upon the composition of the beneficiaries in its defined benefit plans and the relative time horizons that those beneficiaries are projected to receive payouts from the plans. The Company engages an independent investment firm to manage the U.S. pension assets.

Cash equivalents are held in money market funds.

The Company's fixed income portfolio includes mutual funds that hold a combination of short-term, investment-grade fixed income securities and a diversified selection of investment-grade, fixed income securities, including corporate securities and U.S. government securities.

The Company invests in equity securities, which are diversified across a spectrum of value and growth in large, medium and small capitalization funds and companies, as appropriate to achieve the objective of a balanced portfolio, optimize the expected returns and minimize volatility in the various asset classes.

Other assets include pooled investment funds whose underlying assets consist primarily of property holdings as well as financial instruments designed to offset the long-term impact of inflation and interest rate fluctuations.

The Company has categorized its financial assets (including its pension plan assets), based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which the Company has the ability to access at the measurement date.

- Level 2 – Financial assets whose value are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.

- o Level 3 – Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own view about the assumptions a market participant would use in pricing the asset.

The tables below show the portfolio by valuation category as of June 30, 2020 and June 30, 2019 (in thousands):

June 30, 2020

Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**%**
Cash Equivalents	$ 5,165	$ -	$ -	$ 5,165	4 %
Fixed Income	-	32,740	-	32,740	27 %
Equities	48,947	888	-	49,835	40 %
Mutual & Pooled Funds	-	30,687	-	30,687	29 %
Total	$ 54,112	$ 64,315	$ -	$ 118,427	100 %

At June 30, 2020 in the U.K. Pension plan a fund in the amount of $5.4 million was excluded from above and valued under NAV practical expedient. The value of the combined plan assets at end of year was $123,826.

Included in equity securities at June 30, 2020 and 2019 are shares of the Company's common stock having a fair value of $2.2 million and $4.6 million, respectively.

June 30, 2019

Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**%**
Cash Equivalents	$ 1,818	$ -	$ -	$ 1,818	2%
Fixed Income	-	38,232	-	38,232	31%
Equities	41,629	1,482	-	43,111	35%
Mutual & Pooled Funds	2,362	36,510	-	38,872	32%
Total	$ 45,809	$ 76,224	$ -	$ 122,033	100%

U.S. and U.K. Plans Combined:

The status of these defined benefit plans is as follows (in thousands):

	2020	**2019**	**2018**
Change in benefit obligation			
Benefit obligation at beginning of year	$ 169,680	$ 159,213	$ 169,696
Interest cost	5,417	6,013	6,077
Exchange rate changes	(1,013)	(1,697)	707
Benefits paid	(7,203)	(7,217)	(6,489)
Actuarial (gain) loss	17,309	13,368	(10,778)
Benefit obligation at end of year	$ 184,190	$ 169,680	$ 159,213
Change in plan assets			
Fair value of plan assets at beginning of year	122,033	118,693	117,778
Actual return on plan assets	2,163	6,589	2,545
Employer contributions	7,687	5,413	4,366
Benefits paid	(7,203)	(7,217)	(6,489)
Exchange rate changes	(845)	(1,445)	493
Fair value of plan assets at end of year	123,826	122,033	118,693
Funded status at end of year	$ (60,364)	$ (47,647)	$ (40,520)
Amounts recognized in balance sheet			
Current liability	$ (373)	$ (324)	$ (67)
Noncurrent liability	(59,991)	(47,323)	(40,453)
Net amount recognized in balance sheet	$ (60,364)	$ (47,647)	$ (40,520)

Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive loss

Accumulated loss	$ (19,113)	$ (15,590)	$ (4,038)
Amounts not yet recognized as a component of net periodic benefit cost	(19,113)	(15,590)	(4,038)
Accumulated net periodic benefit cost in excess of contributions	(41,249)	(32,057)	(36,482)
Net amount recognized	$ (60,634)	$ (47,647)	$ (40,520)

Components of net periodic benefit cost			
Interest cost	$ 5,417	$ 6,013	$ 6,077
Expected return on plan assets	(5,193)	(5,129)	(5,140)
Recognized actuarial loss	16,753	284	26
Net periodic benefit cost	$ 16,977	$ 1,168	$ 963
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Net loss	$ (38)	$ (38)	$ (28)
Information for pension plans with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 184,190	$ 169,680	$ 159,213
Accumulated benefit obligation	$ 184,190	$ 169,680	$ 159,213
Fair value of assets	$ 123,826	$ 122,033	$ 118,693

U.S. Plan:

The status of the U.S. defined benefit plan is as follows (in thousands):

	2020	2019	2018
Change in benefit obligation			
Benefit obligation at beginning of year	$ 126,380	$ 116,277	$ 124,138
Service cost	-	-	-
Interest cost	4,417	4,854	4,804
Plan curtailment	-	-	-
Benefits paid	(5,682)	(5,565)	(4,786)
Actuarial (gain) loss	13,016	10,814	(7,879)
Benefit obligation at end of year	$ 138,131	$ 126,380	$ 116,277
Weighted average assumptions – benefit obligation			
Discount rate	2.73%	3.56%	4.27%
Rate of compensation increase	n/a	n/a	n/a
Change in plan assets			
Fair value of plan assets at beginning of year	$ 85,150	$ 82,140	$ 81,928
Actual return on plan assets	1,071	4,132	1,645
Employer contributions	6,753	4,443	3,353
Benefits paid	(5,682)	(5,565)	(4,786)
Fair value of plan assets at end of year	87,292	85,150	82,140
Funded status at end of year	$ (50,839)	$ (41,230)	$ (34,137)
Amounts recognized in balance sheet			
Current liability	$ (373)	$ (324)	$ (67)
Noncurrent liability	(50,466)	(40,906)	(34,070)
Net amount recognized in balance sheet	$ (50,839)	$ (41,230)	$ (34,137)
Weighted average assumptions – net periodic benefit cost			
Discount rate	3.56%	4.27%	3.92%

Rate of compensation increase	Varies	Varies	Varies
Return on plan assets	5.00%	5.00%	5.00%
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss			
Accumulated loss	$ (14,507)	$ (13,196)	$ (2,731)
Amounts not yet recognized as a component of net periodic benefit cost	(14,507)	(13,196)	(2,731)
Accumulated contributions less than net periodic benefit cost	(36,332)	(28,034)	(31,406)
Net amount recognized	$ (50,839)	$ (41,230)	$ (34,137)
Components of net periodic benefit cost			
Interest cost	$ 4,417	$ 4,854	$ 4,804
Expected return on plan assets	(4,249)	(4,067)	(4,026)
Recognized actuarial loss	14,883	284	26
Net periodic benefit cost	$ 15,051	$ 1,071	$ 804
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Net loss	(53)	(38)	(28)
Information for plan with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 138,131	$ 126,380	$ 116,277
Accumulated benefit obligation	$ 138,131	$ 126,380	$ 116,277
Fair value of assets	$ 87,292	$ 85,150	$ 82,140

U.K. Plan:

The status of the U.K. defined benefit plan is as follows (in thousands):

	2020	2019	2018
Change in benefit obligation			
Benefit obligation at beginning of year	$ 43,300	$ 42,936	$ 45,558
Interest cost	1,000	1,159	1,273
Exchange rate changes	(1,013)	(1,697)	707
Benefits paid	(1,521)	(1,652)	(1,703)
Actuarial (gain) loss	4,293	2,554	(2,899)
Benefit obligation at end of year	$ 46,059	$ 43,300	$ 42,936
Weighted average assumptions - benefit obligation			
Discount rate	1.59%	2.39%	2.80%
Rate of compensation increase	n/a	n/a	n/a
Change in plan assets			
Fair value of plan assets at beginning of year	$ 36,883	$ 36,553	$ 35,850
Actual return on plan assets	1,092	2,457	900
Employer contributions	934	970	1,013
Benefits paid	(1,521)	(1,652)	(1,703)
Exchange rate changes	(854)	(1,445)	493
Fair value of plan assets at end of year	36,534	36,883	36,553
Funded status at end of year	$ (9,525)	$ (6,417)	(6,383)
Amounts recognized in balance sheet			
Noncurrent liability	(9,525)	(6,417)	(6,383)
Net amount recognized in balance sheet	$ (9,525)	$ (6,417)	$ (6,383)
Weighted average assumptions – net periodic benefit cost			
Discount rate	2.39%	2.80%	2.73%
Rate of compensation increase	n/a	n/a	n/a
Return on plan assets	2.62%	2.98%	3.01%

	2020	2019	2018
Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive loss			
Accumulated loss	$ (4,608)	$ (2,394)	$ (1,307)
Amounts not yet recognized as a component of net periodic benefit cost	(4,608)	(2,394)	(1,307)
Accumulated net periodic benefit cost in excess of contributions	(4,917)	(4,023)	(5,076)
Net amount recognized	$ (9,525)	$ (6,417)	$ (6,383)

	2020	2019	2018
Components of net periodic benefit cost			
Interest cost	1,000	1,159	1,273
Expected return on plan assets	(944)	(1,062)	(1,114)
Amortization of net loss	1,870	—	—
Net periodic benefit cost	$ 1,926	$ 97	$ 159
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year	$ -	$ -	$ -
Information for plan with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 46,059	$ 43,300	$ 42,936
Accumulated benefit obligation	$ 46,059	$ 43,300	$ 42,936
Fair value of assets	$ 36,534	$ 36,883	$ 36,553

Postretirement Medical and Life Insurance Benefits:

The status of the U.S. postretirement medical and life insurance benefit plan is as follows (in thousands):

	2020	2019	2018
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 6,930	$ 6,385	$ 7,086
Service cost	73	72	85
Interest cost	240	265	270
Benefits paid	(329)	(346)	(388)
Actuarial (gain) loss	791	554	(668)
Benefit obligation at end of year	$ 7,705	$ 6,930	$ 6,385
Weighted average assumptions: benefit obligations			
Discount rate	2.73%	3.56%	4.27%
Rate of compensation increase	2.64%	2.64%	2.64%
Change in plan assets			
Employer contributions	329	346	388
Benefits paid, net of employee contributions	(329)	(346)	(388)
Fair value of plan assets at end of year	—	—	—
Amounts recognized in balance sheet			
Current postretirement benefit obligation	$ (358)	$ (353)	$ (339)
Non-current postretirement benefit obligation	(7,347)	(6,577)	(6,046)
Net amount recognized in balance sheet	$ (7,705)	$ (6,930)	$ (6,385)
Weighted average assumptions – net periodic benefit cost			
Discount rate	3.56%	4.27%	3.92%
Rate of compensation increase	2.64%	2.64%	2.64%
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss			
Prior service credit	$ 2,240	$ 2,777	$ 3,314
Accumulated gain (loss)	(2,160)	(1,452)	(928)
Amounts not yet recognized as a component of net periodic benefit cost	80	1,325	2,386

Net periodic benefit cost in excess of accumulated contributions	(7,785)	(8,255)	(8,771)
Net amount recognized	$ (7,705)	$ (6,390)	$ (6,385)
Components of net periodic benefit cost			
Service cost	$ 73	$ 72	$ 85
Interest cost	240	265	270
Amortization of prior service credit	(537)	(537)	(537)
Amortization of accumulated loss	83	30	99
Net periodic benefit cost	$ (141)	$ (170)	$ (83)
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Prior service credit	$ 537	$ 537	$ 537
Net loss	(166)	(83)	(30)
	$ 371	$ 454	$ 507
Healthcare cost trend rate assumed for next year	n/a	6.60%	6.60%
Rate to which the cost trend rate gradually declines	n/a	4.50%	4.50%
Year that the rate reaches the rate at which it is assumed to remain	n/a	2037	2037

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (in thousands):

	1% Increase		
	2020	2019	2018
Effect on postretirement benefit obligation	$ 1	$ 1	$ 1

	1% Decrease		
	2020	2019	2018
Effect on postretirement benefit obligation	$ (1)	$ (1)	$ (1)

Future pension and other benefit payments are as follows (in thousands):

Fiscal Year	Pension	Other Benefits
2021	$ 7,913	$ 358
2022	8,250	363
2023	8,610	353
2024	8,643	358
2025	9,150	364
After	56,032	1,889
	$ 98,598	$ 3,685

13. DEBT

Debt is comprised of the following (in thousands):

	June 30, 2020	June 30, 2019
Short-term and current maturities		
Loan and Security Agreement (Bytewise)	$ -	$ 1,765
Loan and Security Agreement (Term Loan)	597	-
Brazil Loans	3,935	2,300
	4,532	4,065
Long-term debt (net of current portion)		
Loan and Security Agreement (Bytewise)	-	2,641
Loan and Security Agreement (Term Loan)	5,941	-
Loan and Security Agreement (Line of Credit)	20,400	14,900
	26,341	17,541
	$ 30,873	$ 21,606

Future maturities of debt are as follows (in thousands):

Fiscal Year		
2021		4,532
2022		21,629
2023		1,280
2024		1,332
2025		1,386
Thereafter		714
Total	$	30,873

As a result of a decrease in sales related to the COVID-19 epidemic, the Company anticipated potential non-compliance with its fixed charge coverage ratio for the year ended June 30, 2020 under its Loan and Security Agreement (the "Loan Agreement") by and among the Company and its U.S. operating companies (collectively, the "Borrowers") and TD Bank, N.A. ("TD Bank"). On June 25, 2020, the Borrowers and TD Bank entered into an amendment and restatement (the "Amendment and Restatement") of the Loan Agreement. The Amendment and Restatement waived the fixed charge coverage ratio for the quarter ended June 30, 2020. In addition, the Amendment and Restatement clarifies that certain non-cash adjustments to the definition of EBITDA are permitted under the Loan Agreement, as amended. In addition, the Amendment and Restatement increases the permitted borrowings from a foreign bank from $5.0 million to $15.0 million and permits the Company to draw the remainder of the outstanding balance under the Loan Agreement.

Pursuant to the terms of the Company's Amended and Restated Loan and Security Agreement of June 25, 2020, the "First Amendment" to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minimum cumulative EBITDA and minimum liquidity covenants in lieu thereof. TD Bank perfected its security interests in the Company's U.S. based assets, increased the maximum interest charged on the Line Of Credit from and annual interest rate of 2.25% plus Libor to 3.50% plus Libor, and amended the borrowing base for the line of credit from 80% of Qualified AR and 50% of the lower of Cost or Market of US inventory values to 80% of qualified AR plus 85% of the Net Orderly Liquidation Value (NOLV) of US Inventory plus 62.5% of total appraised US real estate values. As a result of this change, the Company is projected to maintain its current borrowing capacity of $25,000,000 under the Line of Credit. The Company underwent a series of appraisals and field exams in all US locations as part of restructuring this agreement. In addition, the Company will provide additional reporting to TD Bank, including monthly profit and loss statements, balance sheets, cash flow statements and forecasting. This minimum adjusted EBITDA covenant is based on the Company's plan for a slow pandemic recovery throughout FY21 and the impact of the Company's restructuring plan initiatives. The Company will apply certain proceeds from the sale of US real estate assets against the principle balance of the term loans under the TD Bank loan agreement. The Agreement will revert to the existing covenant package for the quarter ending September 30, 2021 and every quarter thereafter.

On December 31, 2019, the Company entered into the Tenth Amendment of its Loan and Security Agreement ("Tenth Amendment"). Under the revised agreement, the credit limit for the Revolving Loan was increased from $23.0 million to $25.0 million. In addition, the Company entered into a new $10.0 million 5-year Term Loan with a fixed interest rate of 4.0%. The new Term Loan will require interest only payments for 12 months and will convert to a term loan requiring both interest and principal payments commencing January 1, 2021. Under the Tenth Amendment, the credit limit for external borrowing was increased from $2.5 million to $5.0 million.

Total debt increased $5.7 million and $6.9 million during the three months and nine months ending March 31, 2020. During the three months ended March 31, 2020 the Company pay down $3.5 million of the Bytewise term loan (November, 2011) using the proceeds from borrowing $6.5 million on the Loan and Security Agreement Term Loan. The line of credit balance increased $2.5 million and Brazil loans increased $0.2 million.

Availability under the Line of Credit remains subject to a borrowing base comprised of accounts receivable and inventory. The Company believes that the borrowing base will consistently produce availability under the Line of Credit of $25.0 million. A 0.25% commitment fee is charged on the unused portion of the Line of Credit.

On November 22, 2011, in conjunction with the Bytewise acquisition, the Company entered into a $15.5 million term loan (the "Term Loan") under the then existing Loan and Security Agreement. The Term Loan was a ten-year loan bearing a fixed interest rate of 4.5% and was payable in fixed monthly payments of principal and interest of $160,640. The Term Loan had a balance of $3.5 million at December 31, 2019. During the three months ended March 31, 2020 the Company paid down $3.5 million of the Bytewise term loan.

In December 2017, the Company's Brazilian subsidiary entered into two short-term loans with local banks in order to support the Company's strategic initiatives. The loans backed by the entity's US dollar denominated export receivables were made with Santander Bank and Bradesco Bank. In February 2019, the Company's Brazilian subsidiary began refinancing debt among Santander, Bradesco and Brazil Bank as follows as of June 30, 2020 (in thousands):

Lending Institution	Interest Rate	Beginning Date	Ending Date	Outstanding Balance
Bradesco	5.18%	May 2020	May 2021	$ 1,000

Santander Bank	8.12%	April 2020	April 2021		959
Brazil Bank	3.10%	February 2020	February 2021		500
Brazil Bank	6.05%	March 2020	February 2021		1,000
Brazil Bank	2.40%	March 2020	February 2021		300
Brazil Bank	3.11%	September 2019	September 2020		177
				$	3,936

14. COMMON STOCK

Class B common stock is identical to Class A except that it has 10 votes per share, is generally nontransferable except to lineal descendants of stockholders, cannot receive more dividends than Class A, and can be converted to Class A at any time. Class A common stock is entitled to elect 25% of the directors to be elected at each meeting with the remaining 75% being elected by Class A and Class B voting together.

15. CONTINGENCIES

The Company is involved in certain legal matters which arise in the normal course of business and are not expected to have a material impact on the Company's financial condition, results of operations and cash flows.

16. CONCENTRATIONS OF CREDIT RISK

The Company believes it has little significant concentrations of credit risk as of June 30, 2020. Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries, with none exceeding 10% of consolidated sales.

17. FINANCIAL INFORMATION BY SEGMENT & GEOGRAPHIC AREA

The Company offers its broad array of measuring and cutting products to the market through multiple channels of distribution throughout the world. The Company's products include precision tools, electronic gages, gage blocks, optical vision and laser measuring equipment, custom engineered granite solutions, tape measures, levels, chalk products, squares, band saw blades, hole saws, hacksaw blades, jig saw blades, reciprocating saw blades, M1® lubricant and precision ground flat stock. The Company reviews and manages its business geographically and has historically made decisions based on worldwide operations.

The North American segment's operations include all manufacturing and sales in the United States, Canada and Mexico. The International segment's operations include all locations outside North America, primarily in Brazil, United Kingdom and China. The chief operating decision maker, who is the Company's CEO, reviews operations on a geographical basis and decisions about where to invest the Company's resources are made based on the current results and forecasts of operations in those geographies. Since the markets for the Company's products are sufficiently different in North America than they are in the rest of the world and in view of the significant impact that currency fluctuation plays outside the United States on the revenue of the Company, the Company's business review separates North America from operations outside North America. For this reason, the Company is reflecting two operating segments that align with management's review of operations and decisions to allocate resources.

Segment income is measured for internal reporting purposes by excluding corporate expenses, other income and expense including interest income and interest expense and income taxes. Corporate expenses consist primarily of executive compensation, certain professional fees, and costs associated with the Company's global headquarters. Financial results for each reportable segment are as follows (in thousands):

	Year Ended June 30, 2020			
	North America	International	Unallocated	Total
Sales[1]	$ 121,834	$ 79,617	$ -	$ 201,451
Goodwill and intangibles impairment	(6,496)	-	-	(6,496)
Restructuring	(341)	(1,239)	-	(1,580)
Operating income	(2,055)	3,841	(7,090)	(5,303)
Capital expenditures and software development	6,992	3,608	-	10,600
Depreciation and amortization	4,942	2,253	-	7,195
Current assets[4]	35,030	55,610	13,458	104,098
Long-lived assets[5]	34,354	13,213	21,018	68,585

	Year Ended June 30, 2019			
	North America	International	Unallocated	Total

		North America		International		Unallocated		Total
Sales[2]	$	136,387	$	91,635	$	-	$	228,022
Operating income (loss)		9,468		8,043		(6,209)		11,221
Capital expenditures and software development		3,617		6,610		-		7,227
Depreciation and amortization		5,022		2,316		-		7,338
Current assets[4]		41,188		63,205		15,582		119,975
Long-lived assets[5]		35,638		14,168		20,306		70,112

	Year Ended June 30, 2018							
		North America		International		Unallocated		Total
Sales[3]	$	128,442	$	87,886	$	-	$	216,328
Operating income (loss)		8,175		2,128		(5,579)		4,724
Capital expenditures and software development		3,426		2,336		-		5,762
Depreciation and amortization		4,923		2,588		-		7,511
Current assets[4]		37,546		60,855		14,827		113,228
Long-lived assets[5]		37,489		13,010		18,559		69,058

[1] Excludes $4,040 of North American segment intercompany sales to the International segment and $13,820 intercompany sales of the International segment to the North American segment.

[2] Excludes $4,879 of North American segment intercompany sales to the International segment and $16,187 intercompany sales of the International segment to the North American segment.

[3] Excludes $6,468 of North American segment intercompany sales to the International segment and $14,239 intercompany sales of the International segment to the North American segment.

[4] Current assets primarily consist of accounts receivable, inventories and prepaid expenses. Assets not allocated to the segments include cash and cash equivalents.

[5] Long lived assets consist of property, plant and equipment, net taxes receivable, deferred tax assets, net intangible assets & goodwill.

Geographic information about the Company's sales and long-lived assets are as follows (in thousands):

Sales	Year Ended June 30,					
		2020		2019		2018
North America						
United States	$	113,989	$	127,359	$	119,226
Canada & Mexico		7,845		9,028		9,216
		121,834		136,387		128,442
International						
Brazil		49,254		54,324		49,726
United Kingdom		18,869		24,042		25,099
China		6,048		7,370		7,323
Australia & New Zealand		5,446		5,899		5,738
		79,617		91,635		87,886
Total Sales	$	201,451	$	228,022	$	216,328

Long-lived Assets	Year Ended June 30,					
		2020		2019		2018
North America						
United States	$	34,264	$	35,594	$	37,437
Canada & Mexico		90		44		52
		34,354		35,638		37,489
International						
Brazil		8,050		10,067		8,662
United Kingdom		1,948		2,046		1,876
China		2,881		1,944		2,346
Australia & New Zealand		334		111		126
		13,213		14,168		13,010
Total Long-Lived Assets	$	47,567	$	49,806	$	50,499

18. QUARTERLY FINANCIAL DATA (unaudited) (in thousands except per share data)

Quarter Ended	Net Sales	Gross Margin	Earnings / (Loss) Before Income Taxes	Net Earnings / (Loss)	Basic and Diluted Earnings / (Loss) Per Share
September 2018	$ 51,901	$ 16,659	$ 942	$ 584	$ 0.08
December 2018	56,532	18,548	2,991	1,926	0.27
March 2019	58,498	19,155	3,045	2,088	0.30
June 2019	61,091	20,579	2,632	1,481	0.22
	$ 228,022	$ 74,941	$ 9,610	$ 6,079	$ 0.87
September 2019	$ 52,114	$ 17,703	$ 1,276	$ 778	$ 0.11
December 2019	56,864	18,836	1,875	1,260	0.18
March 2020	49,998	14,844	287	613	0.09
June 2020	42,475	10,827	(23,435)	(24,490)	(3.52)
	$ 201,451	$ 62,210	$ (19,997)	$ (21,839)	$ (3.14)

Operating income in the June quarter fiscal 2020 was $2.8 million, exclusive of $8.1 million of adjustments related to impairment and restructuring. The financial markets also had an adverse impact on earnings in fiscal 2020 as the increased demand for bonds and the associated decrease in interest rates significantly contributed to a $16.7 million non-cash pension expense due to higher liabilities. The pension liability, recorded in Other Income, is based upon the ten-year Corporate Bond Rate and is set on the last day of the fiscal year.

19. SUBSEQUENT EVENTS

Pursuant to the terms of the Company's Amended and Restated Loan and Security Agreement of June 25, 2020, the "First Amendment" to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minimum cumulative EBITDA and minimum liquidity covenants in lieu thereof. TD Bank perfected its security interests in the Company's U.S. based assets, increased the maximum interest charged on the Line Of Credit from and annual interest rate of 2.25% plus Libor to 3.50% plus Libor, and amended the borrowing base for the line of credit from 80% of Qualified AR and 50% of the lower of Cost or Market of US inventory values to 80% of qualified AR plus 85% of the Net Orderly Liquidation Value (NOLV) of US Inventory plus 62.5% of total appraised US real estate values. As a result of this change, the Company is projected to maintain its current borrowing capacity of $25,000,000 under the Line of Credit. The Company underwent a series of appraisals and field exams in all US locations as part of restructuring this agreement. In addition, the Company will provide additional reporting to TD Bank, including monthly profit and loss statements, balance sheets, cash flow statements and forecasting. This minimum adjusted EBITDA covenant is based on the Company's plan for a slow pandemic recovery throughout FY21 and the impact of the Company's restructuring plan initiatives. The Company will apply certain proceeds from the sale of US real estate assets against the principle balance of the term loans under the TD Bank loan agreement. The Agreement will revert to the existing covenant package for the quarter ending September 30, 2021 and every quarter thereafter.

The Company incurred, during quarter ending June 30, 2020, $1.6 million in restructuring related to headcount reductions and saw manufacturing consolidation comprised of $0.6 million in severance and $1.0 million in equipment write-offs, freight associated with manufacturing consolidation and other costs. The unpaid amount of the restructuring charge at June 30, 2020 is $1.1 million. The Company also expects to incur $2.4 million in period restructuring in the first three quarters of fiscal year 2021.

On September 2, 2020 the Board of Directors approved the issuance of an Additional Equity Award to the Company's Named Executive Officers "NEOs" and other executive as part of the 2012 Long-Term Incentive Plan "the Plan" . The award is in the amount of 101.1 thousand shares delivered as 67% fully vested Stock Units (defined in the Plan) and 33% as Restricted Stock Units (defined in the Plan). The Company's share price close on September 2, 2020 at $3.37 per share.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A - Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date in ensuring that information required to be filed in this annual report was recorded, processed, summarized and reported within the time period required by the rules and regulations of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes in internal control over financial reporting during the fourth quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and acquisitions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- Provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2020. Management based this assessment on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors.

Based on our assessment, management concluded that as of June 30, 2020 our internal control over financial reporting was effective based on those criteria.

The Company's internal control over financial reporting as of June 30, 2020 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
The L.S. Starrett Company

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of The L.S. Starrett Company (a Massachusetts corporation) and subsidiaries (the "Company") as of June 30, 2020, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended June 30, 2020, and our report dated September 22, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Boston, Massachusetts
September 22, 2020

Item 9B - Other Information

The Company is filing its fiscal 2020 10-K as a non-accelerated flier. A non-accelerated filer is not required to perform Sarbanes Oxley testing of Internal Controls over Financial Reporting. However, the Company has engaged its independent registered public accounting firm to perform an integrated audit.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

The information concerning the Directors of the Registrant will be contained immediately under the heading "Election of Directors" and prior to Section A of Part I in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on November 2, 2020 (the "2020 Proxy Statement"), which will be mailed to stockholders on or about October 2, 2020. The information in that portion of the 2020 Proxy Statement is hereby incorporated by reference.

Executive Officers of the Registrant

Name	Age	Held Present Office Since	Position
Douglas A. Starrett	67	2001	President & CEO and Director
John C. Tripp	58	2019	Chief Financial Officer and Treasurer
Emerson T. Leme	59	2019	VP & GM Industrial Products North America
Christian Arnsten	53	2019	VP & GM Industrial Products International

Douglas A. Starrett has been President of the Company since 1995 and became CEO in 2001.

John C. Tripp was appointed Chief Financial Officer of the Company, effective November 4, 2019. Prior to joining the Company, Mr. Tripp served as Chief Financial Officer of the IWIS Group, The Americas, since 2012, and prior to that, Divisional Chief Financial Officer of The Stanley Works – Healthcare Solutions, from 2008 to 2012. Mr. Tripp earned a BA in Economics at Harvard University and an MBA from Boston University.

Emerson T Leme was appointed Vice President Industrial Products North America effective July 2019 and prior to that he was Head of Metrology Equipment since 2016. Emerson joined the Company in 2004 as the General Manager of Starrett China. Previously, Mr. Leme worked as manufacturing consultant in 2004, as Latin America Operations Director for Steelcase Co. from 2001 to 2003 and from 1984 to 2001 he held several progressively more responsible positions up to Manufacturing Manager at Toledo do Brazil, than a subsidiary of Mettler-Toledo. Mr. Leme holds a Bachelor's degree in mechanical engineering from FEI – Faculdade de Engenharia Industrial, São Bernando, Brazil and a MBA from Fundação Getulio Vargas, São Paulo, Brazil with an extension at The University of Chicago Graduate School of Business.

Christian Arnsten was appointed Vice President Industrial Products International effective July 2019 and prior to that was President of Starrett Brazil since July 2018. He has been working for the Company since 2000 in various International Sales and Marketing roles as Export Sales Manager Latin America and later as Marketing Director. Mr. Arntsen Previously worked for Norton, Construction Products Division, a Saint Gobain Abrasives Company in Atlanta, GA, USA from 1996 to 2000 as a Latin American Export Sales Manager and Regional Sales Manager, South-East, NA. Mr. Arntsen earned a Bachelor's degree in Economics from Pontifícia Universidade Católica , São Paulo, Brazil and an MBA from Fundação Getulio Vargas, São Paulo, Brazil

The positions listed above represent their principal occupations and employment.

The President and Treasurer hold office until the first meeting of the directors following the next annual meeting of stockholders and until their respective successors are chosen and qualified, and each other officer holds office until the first meeting of directors following the next annual meeting of stockholders, unless a shorter period shall have been specified by the terms of his election or appointment or, in each case, until he sooner dies, resigns, is removed or becomes disqualified.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past ten years.

Code of Ethics

The Company has adopted a Policy on Business Conduct and Ethics (the "Ethics Policy") applicable to all directors, officers and employees of the Company. The Code is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. The Ethics Policy is available on the Company's website at www.starrett.com. Stockholders may also obtain free of charge a printed copy of the Ethics Policy by writing to the Clerk of the Company at The L.S. Starrett Company, 121 Crescent Street, Athol, MA 01331. We intend to disclose any future amendments to, or waivers from, the

Ethics Policy within four business days of the waiver or amendment through a website posting or by filing a Current Report on Form 8-K with the Securities and Exchange Commission.

Item 11 - Executive Compensation
The information concerning management remuneration will be contained under the heading "General Information Relating to the Board of Directors and Its Committees," and in Sections C-H of Part I of the Company's 2020 Proxy Statement, and is hereby incorporated by reference.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
(a) The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under the Company's 2017 Employees' Stock Purchase Plan ("2017 Plan") as of June 30, 2020. The 2017 Plan was approved by stockholders at the Company's 2017 annual meeting and shares of Class A or Class B common stock may be issued under the 2017 Plan. Options are not issued under the Company's Employees' Stock Purchase Plan that was adopted in 1952.

Plan Category	Number of Securities to be issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compen-sation Plans (Ex-cluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders	99,193	$ 3.95	380,192
Equity compensation plans not approved by security holders	—	—	—
Total	99,193	$ 3.95	380,192

(b) Security ownership of certain beneficial owners:

The information concerning a more than 5% holder of any class of the Company's voting shares will be contained under the heading "Security Ownership of Certain Beneficial Owners" in Section I of Part I of the Company's 2020 Proxy Statement, and is hereby incorporated by reference.

(c) Security ownership of directors and officers:

The information concerning the beneficial ownership of each class of equity securities by all directors, and all directors and officers of the Company as a group, will be contained under the heading "Security Ownership of Directors and Officers" in Section I of Part I in the Company's 2020 Proxy Statement. These portions of the 2020 Proxy Statement are hereby incorporated by reference.

(d) The Company knows of no arrangements that may, at a subsequent date, result in a change in control of the Company.

Item 13 - Certain Relationships and Related Transactions, and Director Independence
The information required by this Item 13 will be contained in the Company's 2020 Proxy Statement, and is hereby incorporated by reference.

Item 14 - Principal Accountant Fees and Services
The information required by this Item 14 will be contained in the Audit Fee table in Section B of Part I in the Company's 2020 Proxy Statement. These portions of the Proxy Statement are hereby incorporated by reference.

PART IV

Item 15 – Exhibits, Financial Statement Schedules
(a) 1. Financial statements filed in Item 8 of this annual report:

Consolidated Balance Sheets at June 30, 2020 and June 30, 2019.

Consolidated Statements of Operations for each of the years in the three-year period ended June 30, 2020.

Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended June 30, 2020.

Consolidated Statements of Stockholders' Equity for each of the years in the three-year period ended June 30, 2020.

Consolidated Statements of Cash Flows for each of the years in the three-year period ended June 30, 2020.

Notes to Consolidated Financial Statements

2. The following consolidated financial statement schedule of the Company included in this annual report on Form 10-K is filed herewith pursuant to Item 15(c) and appears immediately before the Exhibit Index:

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Schedule II

Valuation and Qualifying Accounts
Allowance for Doubtful Accounts Receivable

(in 000)	Balance at Beginning of Period	Provisions	Charges to Other Accounts	Write-offs	Balance at End of Period
Year Ended June 30, 2020	$ 685	$ 244	$ (155)	$ (38)	$ 736
Year Ended June 30, 2019	1,277	(91)	(5)	(496)	685
Year Ended June 30, 2018	946	538	(71)	(137)	1,277

Valuation Allowance on Deferred Tax Asset

(in 000)	Balance at Beginning of Period	Provisions	Charges to Other Accounts	Write-offs	Balance at End of Period
Year Ended June 30, 2020	$ 6,743	$ 2,068	$ -	$ -	$ 8,811
Year Ended June 30, 2019	4,999	1,744	-	-	6,743
Year Ended June 30, 2018	2,922	2,077	-	-	4,999

All other financial statement schedules are omitted because they are inapplicable, not required under the instructions, or the information is reflected in the financial statements or notes thereto.

3. See Exhibit Index below. Compensatory plans or arrangements are identified by an "*".

(b) See Exhibit Index below.

(c) Not applicable.

Item 16 – Form 10-K Summary
Open

THE L.S. STARRETT COMPANY AND SUBSIDIARIES - EXHIBIT INDEX

Item 16 – Form 10-K Summary
Open

THE L.S. STARRETT COMPANY AND SUBSIDIARIES - EXHIBIT INDEX

Exhibit	
3a	Restated Articles of Organization as amended, filed with Form 10-K for the year ended June 30, 2012, is hereby incorporated by reference.
3b	Amended and Restated Bylaws, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
4a	Rights Agreement dated as of November 2, 2010 between the Company and Mellon Investor Services LLC, as Rights Agent (together with exhibits, including the Form of Rights Certificate, and the Summary of Rights to Purchase Shares of Class A Common Stock), filed with Form 10-Q for the quarter ended September 25, 2010, is hereby incorporated by reference.
4b	Amendment No. 1 to Rights Agreement dated as of February 5, 2013 by and between the Company and Computershare Shareowner Services LLC, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10a	Form of indemnification agreement with directors and executive officers, filed with Form 10-K for the year ended June 29, 2002, is hereby incorporated by reference.
10c*	The L.S. Starrett Company 401(k) Stock Savings Plan (2001 Restatement), filed with Form 10-K for the year ended June 29, 2002 is hereby incorporated by reference.
10d*	The L.S. Starrett Company Employee Stock Ownership Plan and Trust Agreement, as amended, filed with Form 10-K for the year ended June 30, 2012 is hereby incorporated by reference.
10e*	Amendment dated April 1, 2003 to the Company's 401(k) Stock Savings Plan, filed with Form 10-K for the year ended June 28, 2003, is hereby incorporated by reference.
10f*	Amendment dated October 20, 2003 to the Company's 401(k) Stock Savings Plan, filed with Form 10-Q for the quarter ended September 27, 2003, is hereby incorporated by reference.
10g	Change in Control Agreement, dated January 16, 2009, between the Company and Douglas A. Starrett, filed with Form 10-Q for the quarter ended December 27, 2008, is hereby incorporated by reference.
10h	Form of Change in Control Agreement, executed by the Company and Francis J. O'Brien on July 15, 2010, filed with Form 10-Q for the quarter ended December 27, 2008, is hereby incorporated by reference.
10i	Form of Non-Compete Agreement, dated as of January 16, 2009, executed separately by the Company and each of Francis J. O'Brien, and Douglas A Starrett on July 15, 2010, and January 16, 2009, filed with Form 10-Q for the quarter ended December 27, 2008, is hereby incorporated by reference.
10j*	The L. S. Starrett Company 2013 Employee Stock Ownership Plan and Trust Agreement, filed with Form 10-Q for the quarter ended March 31, 2013, is hereby incorporated by reference.
10k*	First Amendment to The L. S. Starrett Company 2013 Employee Stock Ownership Plan and Trust Agreement, dated December 31, 2013 is hereby incorporated by reference.
10l*	The L.S. Starrett Company 2012 Employees' Stock Purchase Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-184934) filed on November 14, 2012, is hereby incorporated by reference.

10m*	The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-184934) filed on November 14, 2012, is hereby incorporated by reference.
10n	Form of Non-Statutory Stock Option Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10o	Form of Director Non-Statutory Stock Option Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10p	Form of Restricted Stock Unit Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10q	Form of Director Restricted Stock Unit Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10r*	The L.S. Starrett Company 2017 Employees' Stock Purchase Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-221598) filed on November 16, 2017, is hereby incorporated by reference.
10s	The Amended and Restated Loan and Security Agreement dated June 25, 2020 by and among The L.S. Starrett Company, Tru-Stone Technologies, Inc. Starrett Kinemetric Engineering, Inc. and Starrett Bytewise Development, Inc. and TD Bank, N.A., filed as Exhibit 10.1 with Current Report on Form 8-K (File No. 001-00367) filed on July 1, 2020, is hereby incorporated by reference.
10t	First Amendment to The Amended and Restated Loan and Security Agreement dated June 25, 2020 by and among The L.S. Starrett Company, Tru-Stone Technologies, Inc. Starrett Kinemetric Engineering, Inc. and Starrett Bytewise Development, Inc. and TD Bank, N.A., is filed herewith.
21	Subsidiaries of the L.S. Starrett Company, filed herewith.
23	Consent of Independent Registered Public Accounting Firm, filed herewith.
31a	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a), filed herewith.
31b	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a), filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), filed herewith.
101	The following materials from The L. S. Starrett Company Annual Report on Form 10-K for the year ended June 30, 2020 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (I) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Stockholders' Equity (v) the Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements, tagged as blocks of text.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

THE L.S. STARRETT COMPANY
(Registrant)

By: /S/John C. Tripp
John C. Tripp
Treasurer and Chief Financial Officer
(Principal Accounting Officer)

Date: September 22, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/S/DOUGLAS A. STARRETT
Douglas A. Starrett, September 22, 2020
President and CEO and Director (Principal Executive Officer)

/S/THOMAS J. RIORDAN
Thomas J. Riordan, September 22, 2020
Director

By: /S/JOHN C. TRIPP
John C. Tripp, September 22, 2020
Treasurer and Chief Financial Officer (Principal Accounting Officer)

/S/SCOTT W. SPROULE
Scott W. Sproule, September 22, 2020
Director

/S/RICHARD B. KENNEDY
Richard B. Kennedy, September 22, 2020
Director

/S/RUSSELL D. CARREKER
Russell D. Carreker, September 22, 2020
Director

/S/DAVID A. LEMOINE
David A. Lemoine, September 22, 2020
Director

/S/CHRISTOPHER C. GAHAGAN
Christopher C. Gahagan, September 22, 2020
Director

Exhibit 21

L.S. Starrett Company
Corporate Organization

Company Name	Country of Incorporation	State/Province of Incorporation	Type of Entity	Year Acquired	Year of Incorporation	Business	Address
The L.S. Starrett Company	U.S.	Massachusetts	Corporation	1880	1929	Manufacturing	121 Crescent Street, Athol, MA 01331
Tru-Stone Technologies, Inc.	U.S.	Delaware	Corporation	2006	2006	Manufacturing	1101 Prosper Drive, PO Box 430, Waite Park, MN 56387
Starrett Kinemetric Engineering, Inc.	U.S.	Delaware	Corporation	2007	2007	Manufacturing	26052 Merit Circle, Suite 103, Laguna Hills, CA 92653
Starrett Bytewise Development, Inc.	U.S.	Delaware	Corporation	2011	2011	Manufacturing	1150 Brookstone Center Parkway, Columbus, Georgia 31904
Starrett Worldwide, Inc.	U.S.	Delaware	Corporation		2014	Hire Non-US Employees	121 Crescent Street, Athol, MA 01331
The L.S. Starrett Co. of Canada Limited	Canada	Ontario	Corporation	1962	1962	Sales	1244, Kamato Road, Mississauga, Ontario, L4W 1Y1
The L.S. Starrett Company Limited	U.K.	Scotland	Corporation	1958	1958	Manufacturing	Box 1, Oxnam Road, Jedburgh, TD8 6LR, Scotland
Starrett Precision Optical Limited	U.K.	England	Corporation	1990	1990	Manufacturing	Snaygill Industrial Estate, Skipton, North Yorkshire, BD23 2QR, England
Starrett GmbH	Germany		Corporation	2000	2000	Sales	Feldwies 12, 61389 Scmittem/Taunus, Germany
Starrett (Asia) Pte Ltd.	Singapore		Corporation	2010	2010	Sales	35, Marsiling Industrial State Road 3, #05-04 Singapore 739257
The L.S. Starrett Company Limited (Japan)	U.K.	Scotland	Branch			Sales	661 -Chrome Taito, Taito-KU, Tokyo 110-0016
Starrett Industria E Commercio Ltda.	Brazil		Corporation	1956	1956	Manufacturing	Av. Laroy S. Starrett, 1880, Caxia Postal 171, 13300-000, Itu, Brasil
The L.S. Starrett Company of Mexico, S.deR.L.deC.V.	Mexico		Corporation	2001	2001	Sales	Prol. Irlanda N 901 Col Privada, Luxemburgo, Saltillo, Coahuila, 25240 Mexico
Starrett Tools (Suzhou) Co. Ltd.	China		Corporation	1997	1997	Manufacturing	Suzhou Industrial Park, N. 339 Su Hong Zhong Road, Suzhou, Jiangsu Providence
The L.S. Starrett Co. of Australia Pty Ltd.	Australia		Corporation	1998	1998	Sales	Unit 2, 57 Prince William Drive, Seven Hills, N.S.W. 2147
Starrett (New Zealand) Limited	New Zealand		Corporation	2006	2006	Sales	28C Hugo Johnston Drive, Penrose, Aukland

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated September 22, 2020, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of The L.S. Starrett Company on Form 10-K for the year ended June 30, 2020. We consent to the incorporation by reference of said reports in the Registration Statements of The L.S. Starrett Company on Forms S-8 (File No. 333-221598, File No. 333-184934, File No. 333-147331, File No. 333-104123, File No. 333-101162, File No. 333-12997, and File No. 033-55623).

/s/ GRANT THORNTON LLP

Boston, Massachusetts
September 22, 2020

CERTIFICATIONS

I, Douglas A. Starrett, certify that:

1. I have reviewed this Annual Report on Form 10-K of The L.S. Starrett Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 22, 2020

/S/ Douglas A. Starrett

Douglas A. Starrett
President and CEO and Director (Principal Executive Officer)

CERTIFICATIONS

I, John C. Tripp, certify that:

1. I have reviewed this Annual Report on Form 10-K of The L.S. Starrett Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 22, 2020

/S/ John C. Tripp
John C. Tripp
Treasurer and Chief Financial Officer (Principal Accounting Officer)

CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of The L.S. Starrett Company, a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended June 30, 2020 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date	September 22, 2020	/S/ Douglas A. Starrett Douglas A. Starrett President and CEO and Director (Principal Executive Officer)
Date	September 22, 2020	/S/ John C. Tripp John C. Tripp Treasurer and Chief Financial Officer (Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to The L.S. Starrett Company and will be retained by The L.S. Starrett Company and furnished to the Securities and Exchange Commission or its staff upon request.

BOARD OF DIRECTORS

RUSSELL D. CARREKER

Managing Partner of C3 Investment Properties, a commercial real estate investment company. From 2012-2015, President of Starrett-Bytewise, a technology company that designs and manufactures laser measurement systems, and from 1995 to 2012, CEO of Bytewise Measurement Systems.

CHRISTOPHER C. GAHAGAN

From 2018-2019, Mr. Gahagan and his wife are Co-Founders of a Non-Profit Foundation whose mission is dedicated to expanding STEM and career opportunities for underserved populations. From 2015-2017, President and CEO of Symbotic LLC, an early stage company focused on automation technology for the warehouse and distribution industry. From 2009-2015, Senior Vice President of Avid Technologies. a technology company that develops hardware and software for digital media.

RICHARD B. KENNEDY

Retired President and CEO, Worcester Regional Chamber of Commerce. Associate Principal and Market Strategy Consultant, Frank Lynn & Associates, Chicago, Illinois. Formerly Vice President, Marketing, Saint-Gobain Abrasives, Worcester, Massachusetts, producer of abrasives products.

DAVID A. LEMOINE

Retired Audit Partner, Deloitte & Touche LLP (“D&T”), Boston, MA (1985 – May 2010). Partner-in-charge of D&T’s Boston audit practice (1995 – 2000). Manager, D&T’s Worcester office (1985 – 1995). From 1980 to 1985, Senior Vice President, Finance & Administration, Briox Technologies, Inc., Worcester, MA. Served on various audit staff and manager functions (1971 – 1980).

TERRY A. PIPER

Chairman, President and Chief Executive Officer, Precision Steel Warehouse, Inc., Franklin Park, Illinois, a wholesale steel service center.

THOMAS J. RIORDAN

From 2011 until retirement in 2019, President and CEO of Neenah Enterprises, Inc., a designer and manufacturer of castings and forgings. From 2007-2011, President and Chief Operating Officer of Terex Corporation, a NYSE-listed global construction company.

DOUGLAS A. STARRETT

President and Chief Executive Officer

DOUGLAS A. STARRETT

President and Chief Executive Officer

EMERSON T. LEME

Vice President Industrial Products North America

JOHN C. TRIPP

Treasurer and Chief Financial Officer

STEVEN A. WILCOX

Clerk; Partner, law firm of Ropes & Gray LLP

THE L.S. STARRETT COMPANY

121 CRESCENT STREET
ATHOL, MA 01331-1915
978-249-3551

TRANSFER AGENT AND REGISTRAR:

COMPUTERSHARE, INC.
PO BOX 505000
LOUISVILLE, KY 40233-5000
TOLL FREE: 800-522-6645
INTERNATIONAL STOCKHOLDERS: 201-680-6578
WWW.COMPUTERSHARE.COM/INVESTOR

AUDITORS:

GRANT THORNTON LLP
75 STATE STREET
13TH FLOOR
BOSTON, MA 02109-1827

COUNSEL:

ROPES & GRAY LLP
PRUDENTIAL TOWER
800 BOYLSTON STREET
BOSTON, MASSACHUSETTS 02199-3600

LISTED:

NEW YORK STOCK EXCHANGE
SYMBOL SCX

WEBSITE:

WWW.STARRETT.COM