STARRETT L S CO
Form DEF 14A
August 24, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule14a-12

THE L.S. STARRETT COMPANY

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

1

THE L.S. STARRETT COMPANY

121 Crescent Street

Athol, Massachusetts 01331

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

OCTOBER 17, 2018

NOTICE IS HEREBY GIVEN that the Annual Meeting of the stockholders of The L.S. Starrett Company (the "Company") will be held at the Company's offices at 121 Crescent Street, Athol, Massachusetts 01331, on Wednesday, October 17, 2018, at 2:00 p.m. for the following purposes:

1. To elect a class of two directors, each to hold office for a term of three years and until his successor is chosen and qualified;

2. To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal 2019; and

3. To consider and act upon any other matter that may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed August 17, 2018 as the record date for the determination of stockholders entitled to vote at the Annual Meeting, or any adjournments thereof, and to receive notice thereof. The transfer books of the Company will not be closed.

You are requested to execute and return the enclosed proxy, which is solicited by the management of the Company.

/s/ STEVEN A. WILCOX, *Clerk*

Athol, Massachusetts

August 24, 2018

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED FORM OF PROXY IN THE ENCLOSED STAMPED AND ADDRESSED ENVELOPE OR, ALTERNATIVELY, COMPLETE YOUR PROXY BY TELEPHONE OR OVER THE INTERNET AS DESCRIBED IN THE ENCLOSED INSTRUCTIONS. IF YOU DESIRE TO VOTE YOUR SHARES IN PERSON AT THE ANNUAL MEETING, YOUR PROXY WILL BE RETURNED TO YOU.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders' Meeting to be held on October 17, 2018. The Notice of Annual Meeting, Proxy Statement and Annual Report are available at:

Proxy: http://www.starrett.com/u?Proxy

Annual Report: http://www.starrett.com/u?Annual_Report

If your shares are held in "street name" in a stock brokerage account or by a bank or other nominee, you must provide your broker with instructions on how to vote your shares in order for your shares to be voted on important matters presented at the Annual Meeting. If you do not instruct your broker on how to vote, your shares will not be voted on these matters.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

OF

THE L.S. STARRETT COMPANY

121 CRESCENT STREET

ATHOL, MASSACHUSETTS 01331

The enclosed form of proxy and this Proxy Statement have been mailed to stockholders on or about September 12, 2018 in connection with the solicitation by the Board of Directors of The L.S. Starrett Company (the "Company") of proxies for use at the Annual Meeting of Stockholders to be held at the Company's offices at 121 Crescent Street, Athol, Massachusetts 01331, on Wednesday, October 17, 2018, at 2:00 p.m., or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

It is the intention of the persons named as proxies to vote shares represented by duly executed proxies for the proposals described in this Proxy Statement unless contrary specification is made. Any such proxy may be revoked by a stockholder at any time prior to the voting of the proxy by a written revocation received by the Clerk of the Company, by properly executing and delivering a later-dated proxy, or by attending the meeting, requesting return of the proxy and voting in person. **A proxy, when executed and not so revoked, will be voted at the meeting, including any adjournments thereof; and if it contains any specifications, it will be voted in accordance therewith. If no choice is specified, proxies will be voted in favor of the proposals described in this Proxy Statement.**

Stockholders of record at the close of business on August 17, 2018 are entitled to vote at this meeting. On that date, the Company had outstanding and entitled to vote 6,310,159 shares of Class A Common Stock (the "Class A Stock") and 712,907 shares of Class B Common Stock (the "Class B Stock" and together with the Class A Stock, the "Common Stock"). Each outstanding share of Class A Stock entitles the record holder thereof to one vote and each outstanding share of Class B Stock entitles the record holder thereof to ten votes. The holders of Class A Stock are entitled to elect 25% of the Company's directors to be elected at each meeting and such holders voting together with the holders of Class B Stock as a single class are entitled to elect the remaining directors to be elected at the meeting. Except for the foregoing and except as provided by law, all actions submitted to a vote of stockholders will be voted on by the holders of Class A Stock and Class B Stock voting together as a single class. The Company's Board of Directors is divided into three classes with one class to be elected at each annual meeting of stockholders.

I. ELECTION OF DIRECTORS

The Board of Directors has fixed the number of directors at seven and designated Russell D. Carreker, Christopher C. Gahagan and Thomas J. Riordan to serve as Class I Directors; Douglas A. Starrett and David A. Lemoine to serve as Class II Directors; and Richard B. Kennedy and Terry A. Piper to serve as Class III Directors; and, in the case of each director, until his successor is chosen and qualified.

It is the intention of the persons named in the proxy to vote for the election of the two persons named below as Class II Directors, each to hold office for a term of three years and until his successor is chosen and qualified.

The names and ages as of August 24, 2018 of the nominees for director proposed by the Board of Directors, their principal occupations, the significant business directorships they hold, and the years in which they first became directors of the Company are as follows:

Name (Age)	Principal Occupation During Last Five Years and Directorships	Director Since
Class II— Director to be elected by Class A Stockholders:		
David A. Lemoine (70)	Until retirement in 2010, Audit Partner, Deloitte & Touche LLP (“D&T”), Boston, MA (1985-2010), Partner-in-charge of D&T’s audit Boston practice (1995-2000). From 1980-1985, Senior Vice President, Finance & Administration, Briox Technologies, Inc., Worcester, MA. As a former partner of a large multi-national audit practice he brings to the Board extensive knowledge and experience in accounting and auditing matters, financial reporting and internal controls and Securities and Exchange Commission (the “SEC”) matters. Mr. Lemoine has served on the Board of Directors of Insulet Corporation (NASDAQ) since February 2016 and is Chairman of its Audit Committee and a member of the Nominating, Governance and Risk Committee. We believe Mr. Lemoine’s financial acumen makes him well suited to lead our audit committee and qualifies him to serve on the Board.	2010
Class II— Director to be elected by Class A & B Stockholders:		
Douglas A. Starrett (66)	Since 2001, President and Chief Executive Officer of the Company; prior to 2001, President of the Company. Mr. Starrett started his career with the Company in 1976 as an apprentice toolmaker and has been promoted to positions of increasing responsibility in engineering, operations and management. We believe Mr. Starrett’s broad exposure to both domestic and international operations and markets provides an in-depth understanding of our business and its culture and qualifies him to serve on the Board.	1984

The following tables set forth the names and ages as of August 24, 2018 of the Class I and Class III Directors continuing in office, their positions and offices with the Company, if applicable, their principal occupations, the significant business directorships they hold, the years in which they first became directors of the Company and the years that their current term in office expires:

Name (Age)	**Principal Occupation During Last Five Years and Directorships**	**Director Since**	**Term Expires**
Class III Directors:			
Richard B. Kennedy (75)	From 2004 until retirement in June 2013, President and Chief Executive Officer, Worcester Regional Chamber of Commerce, Worcester, Massachusetts. From 2002 to 2004, Associate Principal and Market Strategy Consultant, Frank Lynn & Associates, Chicago, Illinois. From 2000 to 2001, Executive Vice President and Director of GlobalBA.com, a start-up serving the chemical industry. Until 1999, Vice President Marketing, Saint-Gobain Abrasives, Worcester, Massachusetts, a producer of abrasive products. Mr. Kennedy’s career at Saint Gobain spanned sales and marketing in both domestic and international markets. We believe his deep understanding of distribution channels and his geo-political savvy qualifies him to serve on the Board.	1996	2019
Terry A. Piper (73)	Chairman, President and Chief Executive Officer of Precision Steel Warehouse, Inc., Franklin Park, Illinois, a wholesale steel service center. Mr. Piper began his career at Precision Steel Warehouse in 1961 and has served in a series of progressively more responsible positions culminating in the position of CEO in 1999. We believe that, as a head of a subsidiary of the Berkshire Hathaway Co., his practical experience and best-in-practice expertise qualifies him to serve on the Board.	2003	2019

Name (Age)	Principal Occupation During Last Five Years and Directorships	Director Since	Term Expires
Class I Directors:			
Thomas J. Riordan (62)	Since 2011, 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. From 1996-2007, Executive Vice President of SPX Corporation, a NYSE-listed multinational capital goods manufacturer. From 1979-1996 various management positions with four manufacturing companies. His experience will provide the company with a deep understanding of the key issues facing manufacturers in the 21st century as well as how to manage the regulatory requirements of a publicly traded company.	2018	2020
Russell D. Carreker (54)	Since 2015, 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. Prior to 1995, Vice President of Credit Card Operations at Columbus Bank and Trust Company. Mr. Carreker brings a deep understanding of the management skills and issues facing an independent entrepreneur and management of a small subsidiary in a public company corporate environment. His experience will enable the Board to better understand technology applications in metrology and how best to grow small, potential high-growth subsidiaries.	2018	2020
Christopher C. Gahagan (54)	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. From 2002-2009, Senior Vice President of EMC Corporation, a designer and manufacturer of computer hardware and software. Prior to 2002, software architect and software designer and developer positions with large software companies. His experience will provide a stronger technology base for both the Board and management and facilitate how the company can integrate software into our products and processes.	2018	2020

The Board of Directors has determined that Messrs. Kennedy, Carreker, Gahagan, Lemoine, Piper and Riordan are “independent” directors, as defined by the applicable New York Stock Exchange rules.

Director’s Competency

Our directors play a critical role in overseeing the strategic direction and management of the Company. Board candidates are considered based on a broad breadth of professional skills, experiences, and financial acumen. They must possess a global perspective, personal integrity, sound judgment, and social and community awareness. However, in selecting qualified and competent directors, it is important to understand that our Company is a manufacturing business. Therefore, we look for candidates that have expertise and in-depth knowledge in the manufacturing field and our distribution channels. As a small public company, we also look for Board members who possess specific work experiences that augment areas where we may have limited expertise.

Collectively our current and newly elected members of the Board meet all the above criteria. The Board of Directors believes that the composition of the Board provides a good balance between the business expertise and the appropriate social perspective to ensure that the business is operating with concern for the long-term interest of our stockholders, employees, and the community. Our directors have demonstrated that they have the time to devote to Board activities and to execute their fiduciary duties to the Company and its shareholders.

GENERAL INFORMATION RELATING TO THE BOARD

OF DIRECTORS AND ITS COMMITTEES

The Board of Directors held seven regular meetings during the fiscal year ended June 30, 2018 ("fiscal 2018"). Each of the Company's directors attended all meetings of the Board and of all committees on which he was a member. In addition, the Company's non-management directors met in executive session without management participation seven times during fiscal 2018. As described in the Company's Corporate Governance Policy, the Board of Directors has not formally selected a director to preside over the executive sessions of the non-management directors. Instead, at each executive session, the non-management directors designate a presiding director, or chair, for the session. A regular Board meeting is traditionally held immediately following the Annual Meeting but the Board does not have a policy requiring the attendance by the directors at the Annual Meeting. All of the directors then in office attended the 2017 Annual Meeting, which was held on October 18, 2017.

Douglas A. Starrett currently serves as Chief Executive Officer and Chairman of the Board of Directors. Mr. Starrett has worked for the Company for the past forty-two years. The Board believes that Mr. Starrett's breadth of experience and unique understanding of the corporate culture are important assets in executing the duties of Chief Executive Officer and Chairman. The advantage of the combined duties contributes to more effective and streamlined implementation of strategy and creates direct accountability. The Board believes that Mr. Starrett's in-depth knowledge of manufacturing and the industrial markets, combined with his international experience, allow Mr. Starrett to provide strong leadership and direction for the Company. Whether the same leadership structure will be selected when our Chief Executive Officer's tenure with the Company ends is a matter that the Board feels should be evaluated at that time in light of the skills and experience of the Chief Executive Officer and other relevant considerations.

The role of the Board in managing risk at the Company is to have ultimate oversight for the risk management process. Management has day-to-day responsibility for the identification and control of risk facing the Company including timely identifying, monitoring, mitigating and managing those risks that could have a material effect on the Company. Further, management has the responsibility to report these risks as they arise to the Board and its committees and the Company's auditors. The Board has delegated certain risk assessment responsibilities to its audit committee (the "Audit Committee"), its compensation committee (the "Compensation Committee"), its corporate governance and nominating committee (the "Corporate Governance and Nominating Committee") and its executive committee (the "Executive Committee"). The responsibilities of each of these committees are described below.

During fiscal 2018, the members of the Audit Committee were Messrs. Kennedy, Lemoine (Chair), and Riordan. The Board of Directors has determined that each current member of the Audit Committee is independent, as defined by the applicable New York Stock Exchange rules. In general, the Audit Committee recommends to the Board the independent auditors to be selected and confers with the Company's independent auditors to review the audit scope, the Company's internal controls, financial reporting issues, results of the audit and the range of non-audit services. Also see section "IV. Relationship with Independent Auditors" below. The Audit Committee also oversees the Company's internal audit function. The Board has adopted a written charter for the Audit Committee, which is available on the Company's website at *www.starrett.com.*

The members of the Compensation Committee during fiscal 2018 were Messrs. Kennedy (Chair), Piper, Gahagan and Carreker. The Board of Directors has determined that each member of the Committee is independent, as defined by the applicable New York Stock Exchange rules. The function of the Compensation Committee is to review the compensation of key management personnel and to set the Chief Executive Officer’s compensation. The Board has adopted a written charter for the Compensation Committee, which is available on the Company’s website at *www.starrett.com*.

The members of the Corporate Governance and Nominating Committee during fiscal 2018 were Messrs. Kennedy, Riordan, Lemoine and Piper (Chair). The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is independent as defined by the applicable New York Stock Exchange rules. The Corporate Governance and Nominating Committee is responsible for recommending to the Board nominees for director and for the Company's corporate governance practices. The Corporate Governance and Nominating Committee recommends to the Board individuals as director nominees who, in the opinion of the Committee, have high personal and professional integrity, have experience that is of particular relevance to the Company, have sufficient time available to devote to the affairs of the Company, and who will be effective, in conjunction with the other nominees and members of the Board, in collectively serving the long-term best interests of the stockholders. The Board has adopted a written charter for the Corporate Governance and Nominating Committee, which is available on the Company's website at *www.starrett.com*.

The Corporate Governance and Nominating Committee's process for identifying and evaluating director candidates, including candidates recommended by stockholders, includes actively seeking to identify qualified individuals by reviewing lists of possible candidates, such as executive officers of public companies, considering proposals from a number of sources, such as the Board of Directors, management, employees, stockholders, industry contacts and outside search firms. The Committee has adopted a policy with respect to submission by stockholders of candidates for director nominees, which is available on the Company's website at *www.starrett.com.* The Committee will consider up to two candidates each year recommended by stockholders under this policy. Any stockholder or group of stockholders (referred to in either case as a "Nominating Stockholder") that, individually or as a group, have beneficially owned at least 5% of the Company's voting power for at least one year prior to the date the Nominating Stockholder submits a candidate for nomination as a director may submit in writing one candidate to the Committee for consideration at each stockholder meeting at which directors are to be elected but not later than the 120th calendar day before the first anniversary of the date that the Company released its proxy statement to stockholders in connection with the previous year's annual meeting. Recommendations should be sent to The L.S. Starrett Company, Attention: Clerk, 121 Crescent Street, Athol, Massachusetts 01331. The recommendation must include specified information about and the consent and agreement of the candidate. There are no differences in the manner in which the Committee evaluates candidates for director whether an individual is recommended by a stockholder or otherwise. The Committee will determine whether to interview any candidates and may seek additional information about candidates from third-party sources. In addition, stockholders may nominate individuals for election as director at the Company's next annual meeting in accordance with the procedures described in Section 3.11 of the Company's By-laws.

The members of the Executive Committee during fiscal 2018 were Messrs. Starrett, Kennedy and O'Brien. The Executive Committee may exercise most Board powers during the period between Board meetings.

Beginning in fiscal 2013, annual compensation for outside directors on committees changed from an activity-based to a role-based retainer. The annual retainer for each outside director for fiscal 2018 was as follows: David A. Lemoine $42,000; Richard B. Kennedy $40,000; Terry A. Piper $37,500; Thomas J. Riordan $37,000; Russell D. Carreker $37,000; and Christopher C. Gahagan $37,000. Non-management directors are paid a retention fee of $37,000. Non-management directors who serve as committee chairpersons receive additional amounts for their service as chairpersons. In fiscal 2018, Mr. Lemoine, the Audit Committee chair, Mr. Kennedy, the Compensation Committee chair, and Mr. Piper, the Corporate Governance and Nominating Committee chair, were paid an additional $5,000, $3,000, and $1,500, respectively, for serving as chairperson of a committee. Non-management directors may elect to defer part or all of their director's compensation, in which event such deferred compensation and interest thereon will generally be payable in four equal installments after they cease to be a director.

The Board of Directors as a whole evaluates and approves any transactions with related parties. The Company has not adopted a written policy or procedure used to evaluate and approve transactions with related parties. Instead, transactions are considered by the Board of Directors at meetings or through written consents.

There have not been any transactions, or proposed transactions, during the last two fiscal years, to which the Company was or is to be a party, in which any director or executive officer of the Company, any nominee for election as a director, any security holder owning beneficially more than 5% of the Common Stock of the Company, or any member of the immediate family of the aforementioned persons had or is to have a direct or indirect material interest.

A. Audit Committee Report

The Audit Committee operates in accordance with a written charter adopted by the Board and reviewed annually by the Audit Committee. The Audit Committee is responsible for overseeing the quality and integrity of the Company's accounting, auditing and financial reporting practices. It is composed solely of members who are independent, as defined by the applicable rules of the New York Stock Exchange and under Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Further, Mr. Lemoine is an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission (the "SEC"). The Audit Committee is chaired by Mr. Lemoine, who is a certified public accountant and is a retired partner of a large public accounting firm.

Management has the primary responsibility for the financial statements and the financial reporting process. Management is also responsible for assessing and maintaining the effectiveness of internal controls over the financial reporting process in compliance with Sarbanes-Oxley Section 404 requirements. The Audit Committee oversees the Company's financial reporting process and internal controls on behalf of the Board. In this regard, the Audit Committee helps to ensure the independence of the Company's auditors, its internal audit function, and the integrity of management and the adequacy of disclosure to shareholders. Representatives of the Company's independent auditors, Grant Thornton LLP, and financial management and other management personnel have unrestricted access to the Audit Committee.

The Company's independent auditors are responsible for auditing the Company's annual financial statements and expressing an opinion as to whether the statements are fairly stated in conformity with accounting principles generally accepted in the United States. In addition, the Company's independent auditors are responsible for auditing the Company's internal controls over financial reporting. The Company's independent auditors perform their responsibilities in accordance with the standards of the Public Company Accounting Oversight Board.

For fiscal 2018, management, Grant Thornton LLP and the Audit Committee met six times including meetings to discuss the Company's annual and quarterly earnings reports and financial statements prior to each public release of such reports or statements.

With respect to fiscal 2018, the Audit Committee met prior to the issuance of the Company's Annual Report on Form 10-K, to:

- review and discuss the audited financial statements with the Company’s management;
- discuss with Grant Thornton LLP the matters required to be discussed by Statement on Auditing Standard No. 1301, *Communications with Audit Committees Concerning Independence;*
- discuss with Grant Thornton LLP its independence and receive from Grant Thornton LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton LLP’s communications with the Audit Committee concerning independence.

Based upon these reviews and discussions, the Audit Committee recommended that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for filing with the SEC.

The Audit Committee has considered and determined that the provision of the non-audit services provided by Grant Thornton LLP is compatible with maintaining the auditor’s independence and in accordance with Company policy to limit non-audit service fees to be no more than the total audit fee.

The Audit Committee has appointed Grant Thornton LLP as the independent registered public accounting firm of the Company for fiscal 2019 and intends to submit such recommendation to the Company’s stockholders for ratification (but not for approval) at the Company’s 2018 Annual Meeting.

	Audit Committee
	David A. Lemoine, Chairman Richard B. Kennedy
August 24, 2018	Thomas J. Riordan

This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended (the “Securities Act”) or under the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Securities Act and the Exchange Act and shall not be deemed soliciting material.

B. Audit Fees and Audit Committee Pre-Approval Policy

Audit Fees

The following table sets forth the approximate aggregate fees billed to the Company for the fiscal years ended June 30, 2018 and June 30, 2017 by the Company's independent auditors, Grant Thornton LLP, in each of the last two fiscal years:

Fee Category	**Fiscal 2018 Fees**	**Fiscal 2017 Fees**
Audit Fees	$1,171,024	$1,139,045
Audit-Related Fees	6,204	-
Tax Fees	90,960	84,725
All Other Fees	-	-
Total Fees	$1,268,188	$1,223,770

"Audit Fees" were for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Grant Thornton LLP in connection with statutory and regulatory filings or engagements. Audit fees for fiscal 2018 and fiscal 2017 also included services related to the Company's compliance with Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting.

"Audit-Related Fees" are for assurance and related services that are reasonably related to the performance of the audit or review of Company's consolidated financial statements and are not reported under "Audit Fees."

"Tax Fees" were for professional services for federal, state and international tax compliance, tax advice and tax planning.

"All Other Fees" were for services other than the services reported above. There were no services provided by Grant Thornton LLP in fiscal 2018 or fiscal 2017 other than the services included in "Audit Fees" and "Tax Fees."

In making its determination regarding the independence of Grant Thornton LLP, the Audit Committee considered whether the provision of the services covered in the sections entitled "Audit-Related Fees" and "Tax Fees" was compatible with maintaining such independence. All of the work performed by Grant Thornton LLP was performed by full-time employees of the firm.

No fees were paid to Grant Thornton LLP for financial information systems design or implementation services during fiscal 2018 or fiscal 2017.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee’s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors in order to ensure that the provision of such services does not impair the auditors’ independence. These services may include audit services, audit-related services, tax services and other services. In addition to generally pre-approving, on a case-by-case basis, services provided by the independent auditors, the Audit Committee has adopted a policy for the pre-approval of certain specified services which may be provided by the independent auditors. Under this policy, the Audit Committee has pre-approved the auditors’ engagement letter for the provision of certain services. These services set forth in the engagement letter have been identified in a sufficient level of detail so that management will not be called upon to make judgment as to whether a proposed service fits within the scope of the engagement letter. Pursuant to the policy, the Audit Committee is informed of the auditors’ provision, if any, of a pre-approved service on a periodic basis and the auditor’s report to the Audit Committee the fees for any services performed under this pre-approval policy.

C. Executive Officers of the Company

The following table sets forth the names of the executive officers of the Company, their positions and ages as of August 17, 2018:

Name	Age	Position
Douglas A. Starrett	66	President, Chief Executive Officer and Director
Francis J. O'Brien	71	Chief Financial Officer and Treasurer
Anthony M. Aspin	65	Vice President Sales

Francis J. O'Brien has been the Company's Chief Financial Officer and Treasurer since 2009. Previously he served as Chief Financial Officer at Delta Education, LLC, an elementary school education company, from 2005 to 2009. Prior to Delta Education, he was Chief Financial Officer at StockerYale Corporation, a publicly traded technology company, from 2001 to 2004 and Director of Finance and Business Development at Analogic Corporation, a publicly traded manufacturer of medical and security systems, from 1998 to 2000. Mr. O'Brien served as Corporate Vice President of Finance & Administration for Addison Wesley, a global education company, from 1982 to 1997 and as Senior Manager at Coopers & Lybrand, an international public accounting firm, from 1976 to 1982. Mr. O'Brien holds a BA from the University of Massachusetts and an MBA from Suffolk University and is a Certified Public Accountant.

Anthony M. Aspin has served as Vice President Sales since 2000. He previously served as a divisional sales manager with the Company.

Mr. Starrett's background is described above under "I. Election of Directors."

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.

Compensation Discussion and Analysis

Overview and Objectives

The Company is engaged in the business of manufacturing industrial, professional and consumer products. The total number of different items made and sold by the Company exceeds 5,000. The Company is a preeminent global brand in the field of measuring tools and saw products. The Company's tools and instruments are sold throughout the United States and over 100 countries around the world. The largest consumer of these products is the metalworking industry, but other important customers are automotive, aerospace, medical, marine and farm equipment, do-it-yourselfers, and tradesmen such as builders, carpenters, plumbers and electricians. The Company's principal plant is located in Athol, Massachusetts. In addition, the Company operates manufacturing plants in Ohio, North Carolina, Minnesota, California, Georgia, Brazil, Scotland and China.

Although the Company is a small to mid-sized manufacturer, the Compensation Committee understands that the Company's breadth of product, global operating presence and brand equity demands that the business be managed by highly competent personnel in order to meet the challenges and the continual changing landscape of today's global economy. The Company's executives require the same talents as much larger organizations and must be motivated, versatile and experienced in order for the Company to prosper in the future. To that end, the Company must recruit, retain and reward qualified executive talent in order to build long-term shareholder value and a sustainable business for the benefit of all stakeholders.

Compensation Committee

The Compensation Committee of the Company consists of four independent directors and is chaired by Richard B. Kennedy. The members of the Compensation Committee are Messrs. Kennedy, Gahagan, Piper and Carreker. The Compensation Committee operates in accordance with a written charter adopted by the Board of Directors and reviewed annually by the Compensation Committee. The Compensation Committee is responsible for reviewing and setting the compensation of the Company's Chief Executive Officer and for recommending to the full Board of Directors the compensation for the Company's other executive officers. The Compensation Committee has the authority under its Charter to engage the services of outside consultants.

In 2017, the Compensation Committee engaged Radford, an executive compensation consultant, to benchmark total executive compensation against the competitive marketplace using a peer group of similarly situated companies.

The primary and secondary criteria Radford used in selecting the peer group was tool and equipment manufacturing companies with:

Primary Criteria:
Last fiscal year revenues of 1/3 to three times the Company's revenues of approximately $210 million ($70 million - $650 million)
Secondary Criteria:
Market capitalization between $40 million and $750 million based on the Company's current capitalization of approximately $70 million
Employee size of ¼ to three times the Company's fiscal 2016 headcount of 1,694 employees (400 – 5,000)
Geography outside of major metropolitan/high cost of living areas
Global footprint with multi-national operations

Radford considered the following survey sources in its analysis:

2016 Radford Global Technology Survey using a select group of public US manufacturing-focused companies with revenue between $50 million and $1.5 billion (operating in the non-high tech space and not based in California)

Towers Watson General Industry Top Management Survey – Durable goods manufacturing companies with between $100 million and $450 million in revenue

Based on the selection criteria, Radford proposed, and the Compensation Committee approved, the following group of peer companies:

Ampco-Pittsburgh	Hardinge	PAR Technology
ARC Group Worldwide	Hurco Companies	Paul Mueller Company
Columbus McKinnon	Kadant	Twin Disc
DMC Global	Key Technology	Universal Stainless & Alloy Products
Douglas Dynamics	L. B. Foster Company	Vishay Precision Group
Eastern Company	Perma-Pipe International Holdings	Xerium Technologies
Graham	NN, Inc.	

The Compensation Committee holds annual discussions to review Radford's recommendations regarding compensation for the Chief Executive Officer and other executive officers.

The Compensation Committee has the opportunity to work closely with each executive officer during the year at various board and committee meetings and has a good understanding and working knowledge of each individual's contributions and talents. The Compensation Committee also discusses with the Company's Chief Executive Officer ("CEO") the performance and contributions of each executive officer and seeks his advice and recommendations when setting compensation. The CEO is not present when the Compensation Committee discusses his compensation.

Compensation Philosophy

Our compensation practices are relatively simple, straightforward and transparent. Setting compensation is not done by a strict formula. It is a subjective judgment based on a number of factors. We do not look at the performance for just one year, but for a number of years, and consider the economic climate in all areas of the world where we operate. We look at how stockholders, employees and stakeholders at all locations have fared during these periods. In particular, we look at measures affecting stockholders' equity such as sales revenues and net profit margins, which are key indicators of stockholder value. We also consider stock price movement, bearing in mind that the stock market is generally short-term oriented and subject to pressures that are not under the control of executive officers.

Our executive officers currently do not have employment contracts or company-paid memberships or professional services. For fiscal year 2018, compensation consisted primarily of base salary, cash incentive compensation, and grants of awards under the 2012 Long Term Incentive Plan. In addition, in fiscal year 2018, long-term equity (stock) incentives were available to our executives and employees on the same basis through our employee stock purchase plan. For fiscal 2018, Radford recommended that 60% of compensation be based upon salary and annual cash bonus and 40% be based on long-term equity (stock) awards.

We make judgments based on the considerations listed above and on competitive compensation at companies of similar size and in similar fields. We compare our compensation practices to that of our peer group listed above and we draw on our knowledge of the market cost of any executive who might have to be replaced. The Compensation Committee also periodically reviews various publicly available sources of compensation data. We believe that our executive compensation is generally lower than executive compensation paid by companies of similar size and in similar fields for comparable positions as our executives are currently in the 25th percentile of our peer group [with respect to total compensation]. The Company plans to move to the 50th percentile of its peer group, principally through the use of short-term cash incentives, in order to close the compensation gap with our peers and be able to retain and attract qualified management talent.

Components of Executive Compensation

The five elements of our executive compensation program are:

- Base salary
- Cash incentive compensation
- Long-term incentives
- Retirement benefits
- Other compensation

These components are intended to encourage and achieve the purpose and philosophies of our compensation programs set forth above. We have not adopted formal policies for allocation between long- and short-term, and cash- and non-cash, compensation. We seek a mix between all elements of compensation to achieve a total compensation package that is commensurate with the executive officer's position, responsibility and performance relative to his peers in other companies of similar size and in similar fields.

At the 2017 annual meeting of stockholders, the stockholders reapproved, on a non-binding, advisory basis, the compensation of the Company's named executive officers ("NEOs"). At the 2017 annual meeting of stockholders of the Company the stockholders of the Company also voted in favor of holding an advisory vote every three years. The Compensation Committee considered the results of this vote and determined that, consistent with the majority vote of the Company's stockholders at the 2011 annual meeting of stockholders, the Company will hold future non-binding stockholder advisory votes on the compensation of the Company's NEOs every three years at the Company's annual meeting of stockholders. Accordingly, the Company submitted a non-binding, advisory vote on executive compensation to the stockholders at the 2017 annual meeting of stockholders.

Base Salary

Base salary is the fixed component of the executive's cash compensation and should reflect the individual's position and scope of responsibility, taking into consideration experience, tenure, long-term potential and the ability to assume additional responsibility.

The Compensation Committee reviews base salaries for the NEOs in June of each year or in connection with promotions. The following chart represents the base salaries for fiscal 2018 of our NEOs. The base salary of our NEOs did not increase from fiscal 2017 to fiscal 2018:

Named executive officer	**Fiscal 2018 base salary**
Douglas A. Starrett	$425,000
Francis J. O'Brien	$254,400
Anthony M. Aspin	$216,000

The following executive salaries will remain the same for fiscal 2019 as fiscal 2018: Mr. Starrett $425,000 and Mr. O'Brien $254,400. Mr. Aspin will receive a $4,000 raise resulting in an annual salary of $220,000. In addition, Mr. O'Brien was awarded a $25,000 bonus as an incentive to stay through fiscal 2019.

Cash Incentive Compensation

Annual cash incentive compensation is variable pay for the NEOs to reward them for overall Company and individual performance in the key areas of sales, operational, and financial results. This component of incentive compensation is important to attract highly motivated and skilled executives.

The Company maintains a cash bonus plan for its executive officers (the “Cash Bonus Plan”), and all of our NEOs participate in the plan.

For fiscal year 2018, awards under the Cash Bonus Plan were based on achievement of financial targets, which are reviewed and recommended by the Compensation Committee and are approved by the Board of Directors. The targets are established based upon a fully vetted budget process for all divisions and includes specific targets for consolidated sales, operating profit and cash flow. Realization of a 4% minimum income before tax must be achieved before any cash bonuses for the named executive officers are awarded.

Once the 4% minimum income before tax is achieved, the participant earns a percentage of salary based upon the percentage level of achievement against the three financial targets of sales, operating profit and cash flow. Each participant’s financial targets are weighted on a percentage basis to reflect their specific responsibilities.

A new Cash Bonus Plan for fiscal year 2019 (the "FY19 Cash Bonus Plan") was reviewed and recommended by the Compensation Committee and approved by the Board of Directors. The targets are established based upon a fully vetted budget process for all divisions and includes specific targets for consolidated sales and operating profit. Realization of a 4% minimum income before tax must be achieved before any cash bonuses for the named executive officers are awarded. The following table shows the threshold, target and maximum percentage of base pay opportunity for the following NEO's, for both the fiscal 2018 Cash Bonus Plan and the new FY19 Cash Bonus Plan.

		Fiscal 2018 Cash Bonus Plan % of Base Salary			**Fiscal 2019 Cash Bonus Plan % of Base Salary**		
Title	**Salary**	**Threshold**	**Target**	**Max**	**Threshold**	**Target**	**Max**
CEO	$425,000	15%	40%	60%	15%	80%	100%
CFO	254,400	15%	40%	60%	15%	55%	75%
VP Sales	220,000	15%	40%	60%	15%	50%	70%

Based on fiscal 2018 results, cash incentives were not earned by our NEOs, as reflected in the footnote to summary compensation table.

Long Term Equity Incentives

The Board of Directors adopted the Company's 2012 Long-Term Incentive Plan, which was approved by the stockholders at the October 17, 2012 annual meeting, under which equity-based and cash-based awards may be granted to employees, directors, consultants and advisors of the Company. On October 18, 2017, the stockholders reapproved the material terms of the long-term equity compensation opportunities under the 2012 Long-Term Incentive Plan to our NEOs to provide a link between compensation and shareholder value and as a valuable retention component as, generally, the executive forfeits any unvested portion of the long-term equity component if the executive is not employed by the Company at the time of vesting. Radford, in conducting a competitive review of executive compensation in 2017, determined the NEOs' compensation continued to be below the 25th percentile of its peer group. Radford also recommended a larger percentage of Restricted Stock units be based upon performance tied to annual financial goals. Fiscal 2018 Restricted Stock units ranged in value from $132,830 in value for the chief executive officer and $61,000 to $82,000 for other NEOs.

On September 6, 2017, the Board of Directors approved the following grants of performance-based restricted stock units to each of our NEOs: 18,500 restricted stock units were granted to Mr. Starrett; 11,500 restricted stock units were granted to Mr. O'Brien; and 8,500 restricted stock units were granted to Mr. Aspin. All restricted stock units become eligible to vest based on the Company's achievement of 100% of its targeted fiscal year 2018 operating income budget, and thereafter vest in two equal installments following the Company's filing of its 2018 Form 10-K. Vesting in all cases is subject to continued employment through such vesting date. All restricted stock units granted in September 2017 were forfeited, since we did not achieve fiscal 2018 targets.

There are also other opportunities for our employees, including our NEOs, to invest in Company stock through the 401(k) Plan, the Company's 1952 Employees' Stock Purchase Plan and the 2017 Employee Stock Purchase Plan.

Retirement Benefits

The Compensation Committee and Company management believe that it is important to provide retirement benefits to employees who reach retirement age. Company retirement benefits consist of the following components:

The 401(k) Plan. The Company's 401(k) Plan is a defined contribution plan intended to be qualified under the Internal Revenue Code. Our executive officers are eligible to participate in the 401(k) plan on the same terms as our other employees. For additional information regarding the Company's 401(k) Plan, please see section "F. Employee Stock Ownership and 401(k) Savings Plans" of this proxy below. The Company enhanced the employer contribution to the 401(k) Plan effective January 1, 2017 in conjunction with freezing the Retirement Plan, effective December 31, 2016. The enhancement increased the Company's contribution by approximately $1.0 million annually.

The Retirement Plan. The Company's Retirement Plan is a defined benefit pension plan intended to be qualified under the Internal Revenue Code. Participants in this plan are generally eligible to retire with unreduced pension benefit at age 65. Our executive officers participate in the Retirement Plan on the same basis as our other employees with similar years of service at the Company. Further detail concerning the Retirement Plan is contained in the Pension Benefits Table and the related narrative below. The Company froze the Retirement Plan effective December 31, 2016. Consequently, the Plan will be closed to new participants and current participants will no longer earn additional benefits after December 31, 2016.

The ESOPs. The Company's 1984 Employee Stock Ownership Plan (the "1984 ESOP") and the 2013 Employee Stock Ownership Plan (the "2013 ESOP" and collectively with the 1984 ESOP, the "ESOPs") are employee stock ownership plans intended to be qualified under the Internal Revenue Code. An employee's vested balance, if any, under the ESOPs will generally be distributed at the same time that the employee is eligible to begin receiving a benefit under the Retirement Plan. Our executive officers participate in the ESOPs on the same terms as our other employees with similar years of service at the Company. For additional information regarding the Company's ESOPs, please see section "F. Employee Stock Ownership and 401(k) Savings Plans" of this proxy below.

The Supplemental Executive Retirement Plan (the "SERP"). Certain members of management and highly compensated employees, including the Company's executive officers, participate in the SERP. The SERP provides supplemental retirement benefits out of the general assets of the Company that are otherwise denied to participants due to legislation limiting the amount of compensation that may be taken into account in computing the benefit payable under the Company's Retirement Plan. Further detail concerning the SERP is contained in the Pension Benefits Table and the related narrative below.

Other Compensation

The Company strives to maintain a reasonable relationship between executive pay and average non-executive employee pay. Mr. Aspin has a company-provided car, commensurate with his sales position and requirements for travel on behalf of the Company. However, the Company does not otherwise provide its executives with perks such as club memberships or access to company-paid professional services that are not uniformly available to non-executive officer employees of the Company.

Compensation Committee Report

The Compensation Committee reviewed and discussed the Company's Compensation Discussion and Analysis with the Company's management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

Compensation Committee:

Richard B. Kennedy, Chairman

Terry A. Piper

Christopher C. Gahagan

Russell D. Carreker

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Compensation Committee Interlocks and Insider Participation

During fiscal 2018, decisions with respect to the compensation of the Company's executive officers were made by, or upon the recommendation of, the Compensation Committee. During fiscal 2018, the Compensation Committee consisted of independent directors, as defined by the New York Stock Exchange rules. No member of the Compensation Committee was an officer of the Company nor was any officer of the Company a member of the Compensation Committee (or similar body) for any employer of the Company's Compensation Committee members.

D. Remuneration

SUMMARY COMPENSATION TABLE

Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Stock Awards ($)(a)**	**Option Awards ($)(b)**	**Non-Equity Incentive Plan Compensation ($)(c)**	**Change in Pension Value and Nonqualified Deferred Compensation ($)(d)**	**All Other Compensation ($)(f)**	**Total ($)**
Douglas A. Starrett	2018	425,000	132,830	-	-	67,371	15,809	641,010
President, Chief Executive	2017	425,000	217,200	-	-	378,661	9,241	1,030,102
Officer and Director	2016	425,000	294,645	-	-	480,315	4,678	1,204,638
Francis J. O'Brien	2018	254,400	82,570	-	-	(22,428)	9,775	324,317
Treasurer and Chief	2017	254,400	81,450	-	-	31,107	6,082	373,039
Financial Officer	2016	254,400	120,880	-	-	(6,258)	3,181	372,203
Anthony M. Aspin	2018	216,000	61,030	-	-	(25,448)	8,833	260,415
Vice President of Sales	2017	216,000	54,300	-	-	119,757	5,721	395,778
	2016	216,000	83,105	-		180,864	3,972	483,941
James B. Taylor **(e)**	2018	147,115	61,030	-	-	(13,073)	6,066	201,138
Vice President of Operations	2017	225,000	135,750	-	-	13,073	6,243	380,066
	2016	215,000	-	-	-	-	1,654	216,654

(a) This column represents the grant date fair value of performance-based restricted stock units granted. The Company did not achieve the applicable performance targets for performance-based restricted stock units granted in fiscal years 2016, 2017 and 2018 and, therefore, restricted stock units were forfeited. The table below reflects the grant date fair value of time-based restricted stock units granted in fiscal years 2016, 2017 and 2018:

	Fiscal 2016	**Fiscal 2017**	**Fiscal 2018**
Douglas A. Starrett	105,770	-0-	-0-
Francis J. O'Brien	45,330	-0-	-0-
Anthony M. Aspin	30,220	-0-	-0-
James B. Taylor	-0-	54,300	-0-

For a detailed description of the assumptions used for purposes of determining fair value, see Note 4 to our Consolidated Financial Statements included in our Form 10-K for the fiscal year ended June 30, 2018.

(b) This column represents the grant date fair value of stock options granted. For a detailed description of the assumptions used for purposes of determining fair value, see Note 4 to our Consolidated Financial Statements included in our Form 10-K for the fiscal year ended June 30, 2018. No stock options were granted in fiscal 2016, 2017 and fiscal 2018.

(c) This column represents the annual incentive bonuses earned by our Named Executive Officers under our Cash Bonus Plan. Because Company performance targets were not met for fiscal 2016 2017 and 2018, no incentive bonuses were paid for those fiscal years.

(d) Amounts reflect the change in the actuarial present value of the accumulated pension benefits for Messrs. Starrett, O'Brien, and Aspin for each of fiscal 2018, 2017 and 2016.

(e) Mr. Taylor resigned from the Company on February 16, 2018.
(f) Includes employer matching contributions to the 401(k) plan.

Grants of Plan-Based Awards Table

The following table sets forth information regarding estimated future payouts under non-equity incentive plan awards and grants of plan-based awards made to our NEOs during fiscal 2018.

Name	Grant Date	Estimated Future Payments Under Non-Equity Incentive Plan awards			Performance Based Stock Awards	Grant
		Threshold ($)(a)	Target ($)(a)	Maximum ($)(a)	Number of Shares of Stock or Units ($)(b)	Date Fair Value of Awards ($)(c)
Douglas A. Starrett	09/06/2017	63,750	170,000	255,000	18,500	132,830
Francis J. O'Brien	09/06/2017	38,160	101,760	152,640	11,500	82,570
Anthony M. Aspin	09/06/2017	32,400	86,400	129,600	8,500	61,030
James B. Taylor	09/06/2017	33,750	90,000	135,000	8,500	61,030,

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