

STARRETT L S CO
Form 10-Q
February 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from to

Commission file number 1-367

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 01331-1915

(Address of principal executive offices)

(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller

reporting
company. See
definition of
“accelerated filer,”
“large 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
Exchange
Act).

YES
NO

Common Shares outstanding as of January 30, 2018

Class A Common Shares 6,262,546

Class B Common Shares 757,224

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THE L. S. STARRETT COMPANY

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

THE L. S. STARRETT COMPANY

Consolidated Balance Sheets

(in thousands except share data)

	12/31/2017	06/30/2017
	(unaudited)	
ASSETS		
Current assets:		
Cash	\$ 15,131	\$ 14,607
Accounts receivable (less allowance for doubtful accounts of \$1,162 and \$946, respectively)	29,349	30,425
Inventories	61,789	58,097
Prepaid expenses and other current assets	8,860	6,994
Total current assets	115,129	110,123
Property, plant and equipment, net	39,265	39,345
Taxes receivable	2,716	2,627
Deferred tax assets, net	18,856	26,032
Intangible assets, net	9,563	9,868
Goodwill	4,668	4,668
Other assets	-	2
Total assets	\$ 190,197	\$ 192,665
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 17,051	\$ 11,514
Accounts payable	9,084	8,366
Accrued expenses	6,618	5,424
Accrued compensation	4,090	5,435
Total current liabilities	36,843	30,739
Other tax obligations	4,016	3,645
Long-term debt, net of current portion	5,261	6,095

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Postretirement benefit and pension obligations	57,415	58,571
Other non-current liabilities	1,630	1,589
Total liabilities	105,165	100,639
Stockholders' equity:		
Class A Common stock \$1 par (20,000,000 shares authorized; 6,254,182 outstanding at December 31, 2017 and 6,267,603 outstanding at June 30, 2017)	6,254	6,268
Class B Common stock \$1 par (10,000,000 shares authorized; 758,954 outstanding at December 31, 2017 and 761,588 outstanding at June 30, 2017)	759	762
Additional paid-in capital	55,467	55,579
Retained earnings	71,906	79,402
Accumulated other comprehensive loss	(49,354)	(49,985)
Total stockholders' equity	85,032	92,026
Total liabilities and stockholders' equity	\$ 190,197	\$ 192,665

See Notes to Unaudited Consolidated Financial Statements

THE L. S. STARRETT COMPANY

Consolidated Statements of Operations

(in thousands except per share data) (unaudited)

	3 Months Ended		6 Months Ended	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Net sales	\$52,124	\$ 53,187	\$103,942	\$ 102,100
Cost of goods sold	36,194	36,365	71,473	71,364
Gross margin	15,930	16,822	32,469	30,736
% of Net sales	30.6 %	31.6 %	31.2 %	30.1 %

Selling, general and administrative expenses 15,486

10.6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.7. Severability. In the event that any one or more of the provisions contained in this Agreement or in any other agreement or instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such agreement or instrument and such invalid or unenforceable provision shall be construed by limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law.

10.8. Transfer, etc. Neither party may assign this Agreement or any of such party's rights and obligations hereunder to any third party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Either party may assign this Agreement, and its rights and obligations hereunder, to any third party that purchases substantially all of the assigning party's stock or assets relating to that portion of such party's business that is related to the subject of this Agreement without approval of the other party, however, the assigning party shall provide the other party prior written notification of the assignment. Any attempted assignment, delegation or transfer in contravention of this Agreement shall be null and void.

10.9. Binding Effect, Benefits. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns; nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or, as applicable, their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.10. Headings. The Section headings are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

10.11. Choice of Law. This Agreement shall be governed by and construed in accordance with domestic substantive laws of The State of Michigan, without regard for any choice or conflict of laws rule or principle that would result in the application of the domestic substantive law of any other jurisdiction. With respect to patents, the law of the country that grants the patent determines questions affecting the instruction and effect of such patent.

10.12. Disputes. The parties to this Agreement will encourage the prompt and equitable settlement of all controversies or claims between the parties and shall negotiate their differences directly and in good faith. If the dispute cannot be resolved within a reasonable time, either party may submit the dispute to a professional mediator from the American Arbitration Association (AAA). The parties agree to convene with the mediator, with senior representatives of the parties present, for at least one session. If after non-binding mediation occurs, the dispute is not resolved, the parties are free to exercise all other legal and equitable remedies.

10.13. Jurisdiction and Forum. In the event of any dispute regarding this Agreement, venue shall be determined by the location of the defendant. Should Licensee bring any claim, demand or other action against WSU, its trustees, officers, employees or agents, arising out of this Agreement or the relationship between the parties, Licensee agrees to bring said action only in the Michigan Court of Claims.

10.14. Rules of Construction. The following rules of construction shall be applicable for all purposes of this Agreement, unless the context otherwise requires: (a) the terms "hereby", "herein", "hereof", "hereto", "hereunder" and any similar terms shall refer to this Agreement, and the term "hereafter" shall mean after the Effective Date; (b) words importing the singular number shall mean and include the plural number and vice versa; and (c) the terms "include", "including" and similar terms shall be construed as if followed by the phrase "without being limited to", and the term "or" shall be construed in the inclusive sense.

IN WITNESS WHEREOF WSU and Licensee have caused this Agreement to be duly executed on their behalf by their respective representatives as of the Effective Date.

WAYNE STATE UNIVERSITY
INC.

ARRAYIT DIAGNOSTICS,

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: John Howell
Title: President
Date: _____

Exhibit A

Licensed Patents

WSU File No. 04-699

Title: Neopeptide Detection of Disease Using Protein Arrays

Country	Type	Serial No.	Filing Date	Patent No.	Issue Date	Status
USA	Utility	11/060,862	2/17/05			converted
PCT	PCT	PCT/US06/05830	2/17/06			converted
USA	Utility	11/816,471	8/16/2007			pending

Exhibit B

Biological Materials

Exhibit C

Licensed Technology

Exhibit 99.1

Press Release

Critical Step Toward Commercialization of Pre-Symptomatic Diagnosis of Ovarian Cancer Achieved by Arrayit Diagnostics

Signs License Agreement with Wayne State University
For Exclusive Worldwide Rights to Ovarian Cancer Biomarkers

HOUSTON, TX – (PR NEWSWIRE) – December 9, 2009 – Arrayit Diagnostics, Inc., a majority-owned subsidiary of Arrayit Corporation (OTCBB:ARYC), today announced that it has signed an exclusive License Agreement with Wayne State University to key intellectual property covering discoveries of biomarkers of ovarian cancer. The agreement with Wayne State University grants Arrayit exclusive worldwide rights to develop and commercialize a novel microarray-based diagnostic test using biomarkers developed by Professors Michael Tainsky of the School of Medicine and Sorin Draghici of the College of Liberal Arts and Sciences, and Madhumita Chatterjee, research associate in the School of Medicine. The test aims to effectively screen for early stage ovarian cancer in women who are not yet symptomatic.

According to the National Cancer Institute, it is estimated that 21,550 women will be diagnosed with and 14,600 women will die of cancer of the ovary in 2009 – making it the fourth leading cause of death in women in the United States. Moreover, based on rates from 2004-2006, 1.4% of women born today will be diagnosed with ovarian cancer at some point during their lifetime. The disease presents with largely nonspecific symptoms during the initial stages of cancer progression, however there is currently no adequate screening or diagnostic test for early stage detection. As a result, most ovarian cancers are diagnosed only when later stage symptoms manifest and the disease has metastasized to other parts of the body. The five-year survival rate for late stage diagnosis is less than 20%, which compares to an approximate 90% survival rate if the disease is identified at the earliest stages.

John Howell, Chairman, President and CEO of Arrayit Diagnostics, noted, “Distinguished among ‘America’s Best Colleges’ by US News and World Report and the National Science Foundation research rankings, Wayne State University is globally recognized for its groundbreaking work in genomic and proteomic research. Arrayit Corporation will use these biomarkers to create a microarray test that will allow the identification of ovarian cancer in patients before any symptoms occur. We are very proud to be teaming with Wayne State University to bring this potentially life-saving screening tool to market.”

Arrayit Diagnostics plans to file a premarket approval application for its proprietary Pre-symptomatic Ovarian Cancer Diagnostic Test with the U.S. Food and Drug Administration in the near future. Upon receiving marketing approval, Arrayit Diagnostics will actively market and distribute the test kit worldwide.

Based on data derived from the American Cancer Society and the current frequency of Pap smear tests – and the assumption that a test for ovarian cancer would be conducted in concert with the Pap smear--Arrayit Diagnostics estimates that the present market for an early stage ovarian cancer diagnostic test could exceed 66 million tests each year in the U.S. alone. When adding estimates for Western Europe and Japan, that number could nearly triple to 175 million tests annually.

About Arrayit Corporation

Arrayit Corporation, headquartered in Sunnyvale, California, leads and empowers the genetic, research, pharmaceutical and diagnostic communities through the discovery, development and manufacture of proprietary life science technologies and consumables for disease prevention, treatment and cure. It now offers over 650 products to a customer base of more than 10,000 laboratories worldwide, including almost every major university, pharmaceutical and biotechnology company, major agricultural and chemical companies, government agencies, national research foundations and many private sector enterprises. Please visit www.arrayit.com for more information.

About Arrayit Diagnostics, Inc.

Houston-based Arrayit Diagnostics, Inc., a majority-owned subsidiary of Arrayit Corporation, is actively engaged in developing and commercializing a series of proprietary microarray-based diagnostic tests that provide for early detection of cancers, neurodegenerative diseases and other chronic and severe disease states.

About Wayne State University

Wayne State University is one of the nation's pre-eminent public research universities in an urban setting. Through its multidisciplinary approach to research and education, and its ongoing collaboration with government, industry and other institutions, the university seeks to enhance economic growth and improve the quality of life in the city of Detroit, state of Michigan and throughout the world. For more information about research at Wayne State University, visit <http://www.research.wayne.edu>.

Safe Harbor Statement

Except for historical information contained herein, statements made in this release that constitute forward-looking statements are based on currently available information, involve certain risks and uncertainties and the Company assumes no responsibility to update any such forward-looking statement. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. Risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the biomedical business; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions, the outcome of our legal disputes; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate proceedings against Arrayit and/or our officers and directors as a result of any restatements. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K/A for the fiscal year ended December 31, 2008 and Form 10-Q/A for the fiscal first quarter ended March 31, 2009, Form 10-Q/A for the fiscal second quarter ended June 30, 2009 and Form 10-Q for the fiscal third quarter ended September 30, 2009.

FOR MORE INFORMATION, PLEASE CONTACT:

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