

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: December 31, 2019

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: 01-07698

**ACME UNITED CORPORATION**  
(Exact Name of Registrant as Specified in Its Charter)

**Connecticut**

State or Other Jurisdiction of  
Incorporation or Organization

**55 Walls Drive, Fairfield, Connecticut**

Address of Principal Executive Offices

**06-0236700**

I.R.S. Employer Identification No.

**06824**

Zip Code

Registrant's telephone number, including area code: **(203) 254-6060**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
<b>\$2.50 par value Common Stock</b>	<b>ACU</b>	<b>NYSE American</b>

Securities registered pursuant to Section 12 (g) of the Act: None

(Title of Class)

Indicate by check mark whether 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 (sec. 232.405 of this chapter) 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 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 Exchange Act) . YES  NO

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$66,303,009.

Registrant had 3,352,130 shares of its \$2.50 par value Common Stock outstanding as of March 12, 2020.

**DOCUMENTS INCORPORATE BY REFERENCE**

(1) Certain portions of the Company's Proxy Statement for the Annual Meeting scheduled for April 20, 2020 are incorporated into the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, in Part III.

	<u>Page</u>
<b><u>Part I</u></b>	
<a href="#"><u>Item 1. Business</u></a>	3
<a href="#"><u>Item 1A. Risk Factors</u></a>	5
<a href="#"><u>Item 1B. Unresolved Staff Comments</u></a>	10
<a href="#"><u>Item 2. Properties</u></a>	10
<a href="#"><u>Item 3. Legal Proceedings</u></a>	10
<a href="#"><u>Item 4. Mine Safety Disclosures</u></a>	10
<b><u>Part II</u></b>	
<a href="#"><u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	11
<a href="#"><u>Item 6. Selected Financial Data</u></a>	11
<a href="#"><u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	12
<a href="#"><u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u></a>	15
<a href="#"><u>Item 8. Financial Statements and Supplementary Data</u></a>	15
<a href="#"><u>Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u></a>	37
<a href="#"><u>Item 9A. Controls and Procedures</u></a>	37
<a href="#"><u>Item 9B. Other Information</u></a>	37
<b><u>Part III</u></b>	
<a href="#"><u>Item 10. Directors, Executive Officers and Corporate Governance</u></a>	38
<a href="#"><u>Item 11. Executive Compensation</u></a>	39
<a href="#"><u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	39
<a href="#"><u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u></a>	40
<a href="#"><u>Item 14. Principal Accounting Fees and Services</u></a>	40
<b><u>Part IV</u></b>	
<a href="#"><u>Item 15. Exhibits and Financial Statement Schedules</u></a>	41
<a href="#"><u>Item 16. Form 10-K Summary</u></a>	42
<a href="#"><u>Signatures</u></a>	43

## **PART I**

### **Item 1. Business**

#### **Overview**

Acme United Corporation, a Connecticut corporation (together, with its subsidiaries, the "Company"), is a leading worldwide supplier of innovative safety solutions and cutting technology to the school, home, office, hardware, sporting goods and industrial markets. Its principal products sold across all segments are scissors, shears, knives, rulers, pencil sharpeners, first aid kits, and safety related products. The Company sells its products primarily to wholesale, contract and retail stationery distributors, office supply superstores, mass market and e-commerce retailers, industrial distributors, office supply super stores, sporting goods stores, hardware chains and wholesale florists.

The Company's operations are in the United States, Canada, Europe (located in Germany) and Asia (located in Hong Kong and China). The operations in the United States, Canada and Europe are primarily involved in product development, marketing, sales, administrative, manufacturing and distribution activities. The operations in Asia consist of sourcing, product development, production planning, quality control and sales activities. Total net sales in 2019 were \$142.5 million. The Company was organized as a partnership in 1867 and incorporated in 1882 under the laws of the State of Connecticut.

The Company sources most of its products from suppliers located outside the United States, primarily in Asia. The Company assembles its first aid kits at its facilities in Vancouver, WA and Rocky Mount, NC. The components for the first aid kits are primarily sourced from U.S. suppliers.

#### **Recent accomplishments and initiatives**

The Company's key business accomplishments and initiatives include the following elements:

- Leader in innovative safety solutions and cutting technology;
- Ten years of consecutive sales growth averaging 9%;
- Innovation rate approaching 30%;
- Premier and diversified customer base;
- Successful history of acquisitions;
- Diversified distribution network; strong growth in e-commerce channel; and
- Reduced debt by 25% in 2019

#### **Acquisitions**

On January 7, 2020, the Company purchased the assets of First Aid Central, located in Laval, Quebec, Canada. First Aid Central produces and sells a complete line of first aid kits, refills, and safety products to a broad range of industries and end users. Its products meet federal Health Canada and provincial regulatory requirements. The Company purchased First Aid Central assets for \$2.1 million in cash using funds borrowed under its revolving credit facility with HSBC Bank, N.A. Additional information concerning the acquisition of First Aid Central assets is set forth in Note 17 – Subsequent Events, in the notes to consolidated financial statements in this report.

#### **Principal Products**

The Company markets and sells under two main categories: i) cutting, sharpening and measuring; and ii) first aid and safety. The cutting, sharpening and measuring category includes school, home and office products (Westcott® brand), and hardware, industrial and sporting goods products (Clauss®, Camillus®, Cuda® and DMT® brands). The first aid and safety category includes first aid and safety products (First Aid Only®, PhysiciansCare®, Pac-Kit® and Spill Magic® brands).

#### **CUTTING, SHARPENING AND MEASURING**

##### ***School, Home and Office***

###### *Westcott*

Westcott, with a history of quality dating back to 1872, provides innovative cutting and measuring products for the school, home and office as well as industrial safety cutting. Principal products under the Westcott brand include scissors, rulers, pencil sharpeners, paper trimmers, safety cutters, lettering products, glue guns and other craft products. Westcott is one of the leading scissor and ruler brands in North America.

Many of the Westcott branded cutting products contain patented titanium bonding and proprietary non-stick coatings, making the blades more than three times harder than stainless steel as well as reducing friction and corrosion. In 2019, Westcott continued to build on its cutting line with an expanded assortment of the Saber and ceramic safety knives, allowing its customers to remain safer on the job. Also in the cutting line in 2019, Westcott introduced the Glide technology scissor with its low friction fulcrum and adjustable tension. Westcott also continued to innovate in the glue gun category-launching a cordless lithium ion glue gun which heats up in 20 seconds and has a 30-minute run time.

### ***Hardware, Industrial and Sporting Goods***

#### *Clauss*

Clauss, with its roots dating back to 1877, offers a line of quality cutting tools for professionals in the hardware & industrial, lawn & garden, food processing, sewing and housewares channels. Many of the Clauss products are enhanced with the Company's patented titanium and proprietary non-stick coatings.

#### *Camillus*

Since 1876 Camillus has been supplying innovative and high quality knives. The Camillus brand has a strong heritage in the hunting, sporting, survival and tactical markets. The Company acquired the brand in 2007 and re-launched it in 2009 with an updated and innovative line of fixed blade, folding knives, line of sight cutting tools and tactical tools. Many of the knives are enhanced with titanium carbonitride coatings to increase the hardness of the blade of up to 10 times that of untreated stainless steel.

#### *Cuda*

We launched the Cuda line of fishing tools and knives in 2014. Featuring titanium bonded German steels and alloys, Cuda tools provide world class hardness, corrosion and adhesive resistance. In July of 2014, Cuda won Best of Show in the "Fish Smart" category at the ICast show in Orlando, Florida. In January 2016, Cuda won six GOOD DESIGN awards from the Chicago Athenaeum, Museum of Architecture and Design. In 2017, Cuda launched a line of cut and puncture resistant gloves which feature quadruple layered Kevlar® and a line of telescopic landing nets featuring replaceable nets and a net containment system. In 2018, Cuda launched a Professional Series of knives, tools and fishing gaffs that are directed towards the commercial fishing market.

#### *DMT*

DMT products are leaders in diamond sharpening tools for knives, scissors, chisels, skis, skates and many other edges that require sharpening. DMT was founded in 1976 by aerospace engineers. The DMT products use a proprietary process of finely dispersed diamonds bonded to the surfaces of sharpeners and are famous for providing diamond sharpeners with the flattest sharpening surface, greatest concentrated amount of diamonds and the highest quality diamonds per sharpener. In 2017, DMT launched 12 new diamond sharpeners that include a gear-driven sharpener, sonic sharpener and pull through sharpeners that provide a simple sharpening solution for beginners as well as sharpening experts.

### **FIRST AID AND SAFETY**

#### ***First Aid and Safety***

##### *First Aid Only*

The First Aid Only brand offers first aid and safety solutions that meet regulatory requirements for a broad range of industries. The Smart Compliance® first aid system is an effective solution for maintaining OSHA compliance. The Company's SafetyHub App technology digitizes the replenishment process for a broad range of Safety products and provides data analytics to manage costs. In 2019, we introduced our next generation SmartCompliance Complete™ which offers a modular system that addresses first aid, bloodborne pathogen, bleed control, eyewash and OTC medication requirements for the most challenging workplace environments.

##### *PhysiciansCare*

The PhysiciansCare brand offers a variety of portable eyewash solutions and over-the counter medications, including the active ingredients aspirin, acetaminophen and ibuprofen.

##### *Spill Magic*

Spill Magic, an Acme United brand since 2017, is a leader in bodily fluid and spill clean-up solutions with a lightweight, absorbent powder that quickly encapsulates a spill. The Spill Response System provides all the necessary tools to effectively clean up spills, saving time, money and reducing slip & fall accidents in various venues, including grocery, retail, and big box stores; food service & hotel chains; municipal facilities; and industry-specific distributors in the U.S.

## **Intellectual Property**

The Company owns many patents and trademarks that are important to its business. The Company's success depends in part on its ability to maintain patent protection for its products, to preserve its proprietary technology and to operate without infringing upon the patents or proprietary rights of others. The Company generally files patent applications in the United States and foreign countries where patent protection for its technology is appropriate and available. The Company also considers its trademarks important to the success of its business. The more significant trademarks include Westcott, Clauss, Camillus, PhysiciansCare, First Aid Only, Cuda, DMT, Pac-Kit and Spill Magic. Patents and trademarks are amortized over their estimated useful lives. The weighted average amortization period remaining for intangible assets at December 31, 2019 was 10 years.

## **Product Distribution; Major Customers**

Independent manufacturer representatives and direct sales are primarily used to sell the Company's line of consumer products to wholesale, contract and retail stationery distributors, office supply super stores, school supply distributors, industrial distributors, wholesale florists, mass market and ecommerce retailers and hardware chains (including through their websites). The Company also sells a limited selection of its products directly to consumers through its own websites. The Company had one customer in 2019 and 2018 that individually exceeded 10% of consolidated net sales. Net sales to this one customer were approximately 17% and 16% of consolidated net sales in 2019 and 2018, respectively.

## **Competition**

The Company competes with many companies in each market and geographic area. The Company believes that the principal points of competition in these markets are product innovation, quality, price, merchandising, design and engineering capabilities, product development, timeliness and completeness of delivery, conformity to customer specifications and post-sale support. The major competitors in the cutting category are 3M and Fiskars Corporation. The major competitor in the pencil sharpener category is Bostitch and Elmers. The major competitors in the first aid and safety category are Honeywell and Cintas.

## **Seasonality**

Traditionally, the Company's sales are stronger in the second and third quarters and weaker in the first and fourth quarters of the fiscal year, due to the seasonal nature of the back-to-school market.

## **Compliance with Environmental Laws**

The Company believes that it is in compliance with applicable environmental laws. The Company anticipates that no material adverse financial impact will result from compliance with current environmental rules and regulations.

## **Employees**

As of December 31, 2019, the Company employed 441 people, all of whom are full time and none of whom is covered by union contracts. Employee relations are considered good and no foreseeable problems with the work force are evident.

## **Available Information**

You may obtain at no charge, a copy of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports on the Company's website at <http://www.acmeunited.com> or by contacting the Investor Relations Department at the Company's corporate offices by calling (203) 254-6060. Such reports and other information are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

## **Item 1A. Risk Factors**

**The Company is subject to a number of significant operational risks that might cause the Company's actual results to vary materially from its forecasts, targets or projections, including:**

- achieving planned revenue and profit growth in each of the Company's business segments;
- changes in customer requirements and in the volume of sales to principal customers;
- the ability of the Company to anticipate timing of orders and shipments particularly in the ecommerce area;
- emergence of new competitors or consolidation of existing competitors; and
- industry demand fluctuations.

The Company's expectations for both short and long-term future net revenues are based on the Company's estimates of future demand. Orders from the Company's principal customers are ultimately based on demand from end-users and end-user demand can be difficult to predict. Low end-user demand would negatively affect orders the Company receives from distributors and other principal customers which could, in turn adversely affect the Company's revenues in any fiscal period. If the Company's estimates of sales are not accurate and the Company experiences unforeseen variability in its revenues and operating results, the Company may be unable to adjust its expense levels accordingly and its profit margins could be adversely affected.

**Because our products are primarily sold by third parties, our financial results depend in part on the financial health of these parties and any loss of a third party distributor could adversely affect the Company's revenues.**

A large majority of the Company's products are sold through third-party distributors and large retailers. Some of our distributors also market products that compete with our products. Changes in the financial or business conditions or the purchasing decisions of these third parties or their customers could affect our sales and profitability.

Additionally, no assurances can be given that any or all of such distributors or retailers will continue their relationships with the Company. Distributors and other significant retail customers cannot easily be replaced and the loss of revenues and the Company's inability to reduce expenses to compensate for the loss of revenues could adversely affect the Company's net revenues and profit margins.

**The ability to deliver products to our customers in a timely manner and to satisfy our customers' fulfillment standards are subject to several factors, some of which are beyond our control.**

Customers place great emphasis on timely delivery of our products for specific selling seasons, especially during our second and third fiscal quarters, and on the fulfillment of consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to customers. Vendor production delays, cybersecurity attacks on our vendors, difficulties encountered in shipping from overseas and customs clearance delays are on-going risks of our business. We also rely upon third-party carriers for our product shipments from our distribution centers to customers. Accordingly, we are subject to risks, including labor disputes, inclement weather, natural disasters, cybersecurity attacks, possible acts of terrorism, availability of shipping containers, and increased security restrictions associated with such carriers' ability to provide delivery services to meet our shipping needs. Failure to deliver products to our customers in a timely and effective manner, often under special vendor requirements to use specific carriers and delivery schedules, could damage our reputation and brands and result in loss of customers or reduced orders.

**Reliance on foreign suppliers could adversely affect the Company's business.**

The Company sources its products from suppliers located in Asia, Europe and the United States. The Company's Asia vendors are located primarily in China, which subjects the Company to various risks within the region including regulatory, political, economic and foreign currency changes. The Company's ability to select and retain reliable vendors and suppliers who provide timely deliveries of quality products efficiently will impact its success in meeting customer demand for timely delivery of quality products. The Company's sourcing operations and its vendors are impacted by labor costs in China. Labor historically has been readily available at low cost relative to labor costs in North America. However, as China is experiencing rapid social, political and economic changes, labor costs have risen in some regions and there can be no assurance that labor will continue to be available to the Company in China at costs consistent with historical levels or that changes in labor or other laws will not be enacted which would have a material adverse effect on the Company's operations in China. Interruption of supplies from any of the Company's vendors, or the loss of one or more key vendors, could have a negative effect on the Company's business and operating results.

Changes in currency exchange rates might negatively affect the profitability and business prospects of the Company and its overseas vendors. In particular, the Chinese Renminbi has recently fluctuated against the U.S. Dollar, if the Chinese Renminbi continues to fluctuate with respect to the U.S. Dollar in the future, the Company may experience cost increases on such purchases, and this can adversely impact profitability. Future interventions by China may result in further currency appreciation and increase our product costs over time. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related effects of the product cost increases.

Additional factors that could adversely affect the Company's business include increases in transportation costs, new or increased import duties, transportation delays, work stoppages, capacity constraints and poor quality.

**The Company's operations are increasingly global in nature. Our business, financial condition and results of operations could be adversely affected by the political and economic conditions in the countries in which we conduct business, by fluctuations in currency exchange rates and other factors related to our international operations.**

As our international operations and activities expand, we face increasing exposure to the risks of operating in foreign countries. These factors include:

- Changes generally in political, regulatory or economic conditions in the countries in which we conduct business.
- Trade protection measures in favor of local producers of competing products, including government subsidies, tax benefits, changes in local tax rates, trade actions (such as anti-dumping proceedings) and other measures giving local producers a competitive advantage over the Company.
- Changes in foreign currency exchange rates which could adversely affect our competitive position, selling prices and manufacturing costs, and therefore the demand for our products in a particular market.

These risks could affect the cost of manufacturing and selling our products, our pricing, sales volume, and ultimately our financial performance. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable.

### **The Coronavirus could materially adversely affect our results**

If a pandemic, epidemic or outbreak of an infectious disease occurs, our business may be adversely affected. For example, in December 2019, a new strain of the coronavirus (COVID-19) spread through China as well as other countries including the United States and countries in Europe, bringing the total to at least 100 countries worldwide with confirmed cases of COVID-19. The impact of the virus varies from region to region and from day to day and any significant additional spreading of the virus could adversely affect the Company's business.

At the time of this filing, COVID-19 has not caused significant disruption in the Company's business and the Company currently has sufficient inventory to meet anticipated demands in the near future. However, the outbreak of the COVID-19 virus is likely to have a further negative impact in 2020 on the global economy and, in the future, might impact the Company's ability to manufacture, source or distribute its products both domestically and internationally or reduce demand for its products, any of which could have a significant negative impact on the Company's financial results in 2020 and beyond. Given the dynamic nature of this outbreak, however, the extent to which the COVID-19 virus impacts the Company's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

### **Continuing uncertainty in the global economy could negatively impact our business.**

Uncertainty in the global economy could adversely affect our customers and our suppliers and businesses such as ours. In addition, any uncertainty could have a variety of negative effects on the Company, such as reduction in revenues, increased costs, lower gross margin percentages, increased allowances for doubtful accounts and/or write-offs of accounts receivable and could otherwise have material adverse effects on our business, results of operations, financial condition and cash flows.

### **Changes in trade policies, including the imposition of tariffs and their enforcement, may have a material adverse impact on our business, results of operations, and outlook.**

On September 24, 2018, the United States levied a third round of tariffs on the import of some products from China, which is an important source of many of the Company's products. The first two rounds targeted \$50 billion of Chinese goods and applied a 25% tariff; these rounds had no impact on the Company. The third round targeted an additional \$200 billion of Chinese goods and applied a 10% tariff that was scheduled to increase to 25% at the start of 2019 but has been delayed. This latest round affects approximately 10% of the Company's product purchases and will increase our costs of procurement. These tariffs affect certain measuring products, folding knives and first aid components. In response to these tariffs, the Company has implemented a price increase on the affected products in order to offset their impact. Tariff levels may be further increased and the types of products subject to tariffs may be expanded. Although the Company intends to pass additional price increases on to our customers, such tariff-related developments could have a negative impact on customer demand and adversely affect our business, financial condition and results of operations. In addition, we might have to modify our current business practices, including potentially sourcing from alternative vendors.

### **The Company's business is subject to risks associated with seasonality which could adversely affect its cash flow, financial condition, or results of operations.**

The Company's business, historically, has experienced higher sales volume in the second and third quarters of the calendar year, when compared to the first and fourth quarters. The Company is a major supplier of products related to the "back-to-school" season, which occurs principally during the months of May through August. If this typical seasonal increase in sales of certain portions of the Company's product line does not materialize in any year, the Company could experience a material adverse effect on its business, financial condition and results of operations.

### **Failure to manage growth and continue to expand our operations successfully could adversely affect our financial results.**

Our business has experienced significant historical growth over the years, and we expect our business to continue to grow organically and through strategic acquisitions. This growth places significant demands on management and operational systems. If we cannot effectively manage our growth, it is likely to result in operational inefficiencies and ineffective management of our business thus negatively impacting our operating results. To the extent we grow through strategic acquisitions, our success will depend on selecting the appropriate targets, integrating such acquisitions quickly and effectively and realizing any expected synergies and cost savings related to such acquisitions.

**Loss of a major customer could result in a decrease in the Company's future sales and earnings.**

Sales of our products are primarily concentrated in a few major customers including office product superstores and mass market distributors. The Company had one customer in 2019 and 2018 that individually exceeded 10% of consolidated net sales. Net sales to this one customer were approximately 17% and 16% of consolidated net sales in 2019 and 2018, respectively. The Company anticipates that a limited number of customers may account for a substantial portion of its total net revenues for the foreseeable future. The business risks associated with this concentration, including increased credit risks for these and other customers and the possibility of related bad debt write-offs, could negatively affect our margins and profits. Additionally, the loss of a major customer, whether through competition or consolidation, or a disruption in sales to such a customer, could result in a decrease of the Company's future sales and earnings.

**The loss of key management could adversely affect the Company's ability to run its business.**

The Company's success depends, to a large extent, on the continued service of its executive management team, operating officers and other key personnel. The Company must therefore continue to recruit, retain and motivate management and operating personnel sufficient to maintain its current business and support its projected growth. The Company's inability to meet its staffing requirements in the future could adversely affect its results of operations.

**Execution or the lack thereof, of our e-commerce business may reduce our operating results.**

Our e-commerce business constituted approximately 12% of our net sales in 2019 and has been our fastest growing distribution channel over the last several years. The continued successful growth of our e-commerce business depends, in part, on third parties and factors over which we have limited control, including difficulty forecasting demand, changing consumer preferences, and e-commerce buying trends, both domestically and abroad, as well as promotional or other advertising initiatives employed by our customers or other third parties on their e-commerce sites. Additionally, sales in our e-commerce distribution channel may also divert sales from our other customers.

Additionally, the success of our e-commerce business depends, in part, on the timely receipt of our products by our customers and their end users. The efficient flow of our products requires that our distribution facilities have adequate capacity to support increases in our e-commerce business. If we encounter difficulties with forecasting and supply to our distribution facilities, we could face shortages of inventory, resulting in "out of stock" conditions in the e-commerce sites operated by our customers or other third parties, and we could incur significantly higher costs and longer lead times associated with distributing our products to our customers.

Our failure to successfully respond to these risks and uncertainties might adversely affect the sales in our e-commerce business, as well as damage our brands.

**Failure to protect the Company's proprietary rights or the costs of protecting these rights could adversely affect its business.**

The Company's success depends in part on its ability to obtain patents and trademarks and to preserve other intellectual property rights covering its products and processes. The Company has obtained certain domestic and foreign patents and intends to continue to seek patents on its inventions when appropriate. The process of seeking patent protection can be time consuming and expensive. There can be no assurance that pending patents related to any of the Company's products will be issued, in which case the Company may not be able to legally prevent others from producing similar and/or compatible competing products. If other companies were to sell similar and/or compatible competing products, the Company's results of operations could be adversely affected. Furthermore, there can be no assurance that the Company's efforts to protect its intellectual property will be successful. Any infringement of the Company's intellectual property or legal defence of such action could have a material adverse effect on the Company.

**The Company is subject to intense competition in all of the markets in which it competes.**

The Company's products are sold in highly competitive markets including at mass merchants, high volume office supply stores and online. The Company believes that the principal points of competition in these markets are product innovation, quality, price, merchandising, design and engineering capabilities, product development, timeliness and completeness of delivery, conformity to customer specifications and post-sale support. Competitive conditions may require the Company to match or better competitors' prices to retain business or market shares. The Company believes that its competitive position will depend on continued investment in innovation and product development, manufacturing and sourcing, quality standards, marketing and customer service and support. The Company's success will depend in part on its ability to anticipate and offer products that appeal to the changing needs and preferences of our customers in the various market categories in which it competes. The Company may not have sufficient resources to make the investments that may be necessary to anticipate those changing needs and the Company may not anticipate, identify, develop and market products successfully or otherwise be successful in maintaining its competitive position. In addition, there are numerous uncertainties inherent in successfully developing and commercializing innovative new products on a continuing basis, and new product launches may not provide expected growth results. There are no significant barriers to entry into the markets for most of the Company's products.



**Compromises of our information systems or unauthorized access to confidential information or our customers' or associates' personal information may materially harm our business or damage our reputation.**

Through our sales and marketing activities and our business operations, we collect and store confidential information and certain personal information from our customers and associates. We also process payment card information and check information. In addition, in the normal course of business, we gather and retain personal information about our associates and generate and have access to confidential business information. Although we have taken steps designed to safeguard such information, there can be no assurance that such information will be protected against unauthorized access or disclosure. Computer hackers may attempt to penetrate our or our vendors' network security and, if successful, misappropriate such information. An Acme United associate, contractor or other third-party with whom we do business may also attempt to circumvent our security measures in order to obtain such information or inadvertently cause a breach involving such information. We could be subject to liability for failure to comply with privacy and information security laws, for failing to protect personal information, or for misusing personal information, such as use of such information for an unauthorized marketing purpose. Any compromise of our systems or data could disrupt our operations, damage our reputation, and expose us to claims from customers, financial institutions, regulators, payment card associations, employees and other persons, any of which could have an adverse effect on our business, financial condition and results of operations.

**The Company may not be able to maintain or to raise prices in response to inflation and increasing costs.**

Future market and competitive pressures may prohibit the Company from raising prices to offset increased product costs, freight costs and other inflationary items or to offset currency fluctuations. The inability to pass these costs through to the Company's customers could have a negative effect on its results of operations.

**The Company may need to raise additional capital to fund its operations.**

The Company's management believes that, under current conditions, the Company's current cash and cash equivalents, cash generated by operations, together with the borrowing availability under its revolving loan agreement with HSBC Bank N.A., will be sufficient to fund planned operations for the next twelve months from the issuance date of this report. However, if the Company is unable to generate sufficient cash from operations, it may be required to find additional funding sources. If adequate financing is unavailable or is unavailable on acceptable terms, the Company may be unable to maintain, develop or enhance its operations, products and services, take advantage of future opportunities or adequately respond to competitive pressures.

**Changes in interest rates could adversely affect us.**

We have exposure to increases in interest rates under our revolving credit loan agreement with HSBC Bank, N.A. which presently bears interest at the Prime Rate less 1.25%. In response to the last global economic recession, actions of the U.S. Federal Reserve and other central banking institutions, were taken to create and maintain a low interest rate environment. Increases in interest rates would increase our interest costs on our variable-rate debt as well as any future fixed rate debt, we may incur at higher interest rates, and interest which we pay reduces our cash available for working capital, acquisitions, and other uses.

**Product liability claims or regulatory actions could adversely affect the Company's financial results and reputation.**

Claims for losses or injuries allegedly caused by some of the Company's products arise in the ordinary course of its business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm the Company's reputation in the marketplace or the value of its brands. The Company also could be required to recall possible defective products, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims are subject to a deductible or could be excluded under the terms of the policy.

**The Company is subject to environmental regulation and environmental risks.**

The Company is subject to national, state, provincial and/or local environmental laws and regulations that impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal and management of, certain materials and waste. These environmental laws and regulations also impose liability for the costs of investigating and cleaning up sites, and certain damages resulting from present and past spills, disposals, or other releases of hazardous substances or materials. Environmental laws and regulations can be complex and may change often. Capital and operating expenses required to comply with environmental laws and regulations can be significant, and violations may result in substantial fines and penalties. In addition, environmental laws and regulations, such as the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, in the United States impose liability on several grounds for the investigation and cleanup of contaminated soil, ground water and buildings and for damages to natural resources on a wide range of properties. For example, contamination at properties formerly owned or operated by the Company, as well as at properties it will own and operate, and properties to which hazardous substances were sent by the Company, may result in liability for the Company under environmental laws and regulations. The costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future could have a material adverse effect on the Company's financial condition or results of operations.

**We cannot provide assurance that we will continue to pay dividends or purchase shares of our common stock under our stock repurchase program.**

We continue to pay and declare dividends on a quarterly basis and we anticipate that we will continue to do so. However, there can be no assurance that we will have sufficient cash or surplus under the law to be able to continue to pay dividends at our current level or purchase shares of our common stock under our stock repurchase programs. At December 31, 2019, a total of 217,999 may be purchased in the future under the repurchase programs which the Company announced in 2010 and 2019. This may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures, increases in reserves or lack of available capital. We may also suspend the payment of dividends or our stock repurchase program if the Board deems such action to be in the best interests of our shareholders. If we do not pay dividends or decrease the amount of dividends we pay, the price of our common stock would likely decrease.

**Our shares of common stock are thinly traded and our stock price may be volatile.**

Because our common stock is thinly traded, its market price may fluctuate significantly more than the stock market in general or the stock prices of other companies listed on major stock exchanges. There were approximately 2,936,360 shares of our common stock held by non-affiliates as of December 31, 2019. Thus, our common stock is less liquid than the stock of companies with broader public ownership, and, as a result, the trading price for shares of our common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger.

#### **Item 1B. Unresolved Staff Comments**

Not applicable.

#### **Item 2. Properties**

<b>Location</b>	<b>Square Footage</b>	<b>Purpose</b>
<i>Owned</i>		
Rocky Mount, NC	340,000	Warehousing and distribution
Vancouver, WA	53,000	Warehousing and distribution
Solingen, Germany	35,000	Warehousing, distribution and administrative
	<b>428,000</b>	
<i>Leased</i>		
Fairfield, CT	15,400	Administrative
Bentonville, AK	1,500	Administrative
Marlborough, MA	28,000	Manufacturing, warehousing and distribution
Santa Ana, CA	10,000	Manufacturing, warehousing, distribution and administrative
La Vergne, TN	56,000	Manufacturing, warehousing and distribution
Mount Forest, Ontario, Canada	42,500	Warehousing and distribution
Orangeville, Ontario, Canada	2,850	Administrative
Hong Kong, China	2,750	Administrative
Guangzhou, China	3,500	Administrative
Ningbo, China	1,800	Administrative
	<b>121,300</b>	
<b>Total:</b>	<b>549,300</b>	

The Company's facilities located in the United States and China are utilized by all of its segments. The Company's facilities located in Canada and Germany are utilized by its Canadian segment and its European segment, respectively.

Management believes that the Company's facilities, whether leased or owned, are adequate to meet its current needs and should continue to be adequate for the foreseeable future.

#### **Item 3. Legal Proceedings**

There are no pending material legal proceedings to which the Company is a party or, to the actual knowledge of the Company, contemplated by any governmental agency.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Company's Common Stock is traded on the NYSE American under the symbol "ACU".

#### **Issuer Purchases of Equity Securities**

On November 14, 2019, the Company announced a Common Stock repurchase program of up to a total 200,000 shares. During the twelve months ended December 31, 2019, the Company did not repurchase any shares of its Common Stock. As of December 31, 2019, a total of 17,999 shares may be purchased in the future under the repurchase program announced in 2010 and 200,000 may be purchased under the repurchase program announced in 2019. Neither the 2010 nor the 2019 program have an expiration date

### **Item 6. Selected Financial Data**

As a smaller reporting company, the Company is not required to provide this information.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Information

The Company may from time to time make written or oral “forward-looking statements” including statements contained in this report and in other communications by the Company, which are made in good faith pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on our beliefs as well as assumptions made by and information currently available to us. When used in this document, words like “may,” “might,” “will,” “except,” “anticipate,” “believe,” “potential,” and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from our current expectations.

Forward-looking statements in this report, including without limitation, statements related to the Company’s plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties including, without limitation, the following: (i) changes in the Company’s plans, strategies, objectives, expectations and intentions, which may be made at any time at the discretion of the Company; (ii) the impact of uncertainties in global economic conditions, including the impact on the Company’s suppliers and customers; (iii) changes in client needs and consumer spending habits; (iv) the impact of competition and technological changes on the Company; (v) the Company’s ability to manage its growth effectively, including its ability to successfully integrate any business it might acquire; (vi) currency fluctuations; (vii) increases in the cost of borrowings resulting from rising interest rates; (viii) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; and (ix) other risks and uncertainties indicated from time to time in the Company’s filings with the Securities and Exchange Commission. For a more detailed discussion of these and other factors affecting the Company, see the Risk Factors set forth above in Item 1A of this Annual Report on Form 10-K.

### Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations are based upon the Company’s consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States of America. The Company’s significant accounting policies are more fully described in Note 2 of the notes to consolidated financial statements. Certain accounting estimates are particularly important to the understanding of the Company’s financial position and results of operations and require the application of significant judgment by the Company’s management and can be materially affected by changes from period to period in economic factors or conditions that are outside the control of management. The Company’s management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on historical operations, future business plans and projected financial results, the terms of existing contracts, the observance of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The following discusses the Company’s critical accounting policies and estimates:

*Estimates* – Operating results may be affected by certain accounting estimates. The most sensitive and significant accounting estimates in the financial statements relate to customer rebates, valuation allowances for deferred income tax assets, obsolete and slow moving inventories, potentially uncollectible accounts receivable, pension liability and accruals for income taxes. Although the Company’s management has used available information to make judgments on the appropriate estimates to account for the above matters, there can be no assurance that future events will not significantly affect the estimated amounts related to these areas where estimates are required. However, historically, actual results have not been materially different than original estimates.

*Revenue Recognition* – Revenue is recognized when the price is fixed, the title and risks and rewards of ownership have passed to the customer, and when collection is reasonably assured. Depending on the contractual terms of each customer, revenue is recognized either at the time of shipment or upon delivery. When revenue is recorded, estimates of returns are made and recorded as a reduction of revenue. Customer rebates and incentives earned based on promotional programs in place, volume of purchases or other factors are also estimated at the time of revenue recognition and recorded as a reduction of that revenue. Refer to Note 9 – Revenue from Contracts with Customers

*Allowance for Doubtful Accounts* – The Company provides an allowance for doubtful accounts based upon a review of outstanding accounts receivable, historical collection information and existing economic conditions. The allowance for doubtful accounts represents estimated uncollectible accounts receivables associated with potential customer defaults on contractual obligations, usually due to potential insolvencies. The allowance includes amounts for certain customers where a risk of default has been specifically identified. In addition, the allowance includes a provision for customer defaults based on historical experience. The Company actively monitors its accounts receivable balances, and its historical experience of annual accounts receivable write-offs has been negligible.

*Customer Rebates* – Customer rebates and incentives are a common practice in the office products industry. We incur customer rebate costs to obtain favorable product placement, to promote sell-through of products and to maintain competitive pricing. Customer rebate costs and incentives, including volume rebates, promotional funds, catalog allowances and slotting fees, are accounted for as a reduction to gross sales. These costs are recorded at the time of sale and are based on individual customer contracts. Management periodically reviews accruals for these rebates and allowances and adjusts accruals when appropriate.

*Obsolete and Slow Moving Inventory* – Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value. An allowance is established to adjust the cost of inventory to its net realizable value. Inventory allowances are recorded for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions and specific identification of items, such as discontinued products. These estimates could vary significantly from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from expectations.

*Income Taxes* – Deferred income tax liabilities or assets are established for temporary differences between financial and tax reporting bases and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is recorded to reduce deferred income tax assets to an amount that is more likely than not to be realized.

*Intangible Assets and Goodwill* – Intangible assets with finite useful lives are recorded at cost upon acquisition and amortized over the term of the related contract, if any, or useful life, as applicable. Intangible assets held by the Company with finite useful lives include patents and trademarks. The weighted average amortization period for intangible assets at December 31, 2019 was 10 years. The Company periodically reviews the values recorded for intangible assets and goodwill to assess recoverability from future operations whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At December 31, 2019 and 2018, the Company assessed the recoverability of its long-lived assets and goodwill and believed that there were no events or circumstances present that would require a test of recoverability on those assets. As a result, there was no impairment of the carrying amounts of such assets and no reduction in their estimated useful lives.

*Leases* - The Company determines whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All other leases are recorded on the balance sheet with right-of-use (“ROU”) assets representing the right to use the underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. Lease arrangements with lease and non-lease components are generally accounted for as a single lease component.

*Pension Obligation* – The pension benefit obligation is based on various assumptions used by third-party actuaries in calculating this amount. These assumptions include discount rates, expected return on plan assets, mortality rates and other factors. Revisions in assumptions and actual results that differ from the assumptions affect future expenses, cash funding requirements and obligations. Our funding policy is to fund the plan in accordance with applicable requirements of the Internal Revenue Code and regulations.

These assumptions are reviewed annually and updated as required. The Company has a frozen defined benefit pension plan. Two assumptions, the discount rate and the expected return on plan assets, are important elements of expense and liability measurement.

We determine the discount rate used to measure plan liabilities as of the December 31 measurement date. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. In estimating this rate, we look at rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by recognized ratings agencies. Using these methodologies, we determined a discount rate of 2.74% to be appropriate as of December 31, 2019, which is a decrease of 1.13 percentage points from the rate used as of December 31, 2018.

The expected long-term rate of return on assets considers the Company’s historical results and projected returns for similar allocations among asset classes. In accordance with generally accepted accounting principles, actual results that differ from the Company’s assumptions are accumulated and amortized over future periods and, therefore, affect expense and obligation in future periods. For the U.S. pension plan, our assumption for the expected return on plan assets was 6.0% for 2019. For more information concerning these costs and obligations, see the discussion in Note 6 – Pension and Profit Sharing, in the notes to the Company’s consolidated financial statements in this report.

*Accounting for Stock-Based Compensation* – Stock based compensation cost is measured at the grant date fair value of the award and is recognized as expense over the requisite service period. The Company uses the Black-Scholes option - pricing model to determine fair value of the awards, which involves certain subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (“expected term”), the estimated volatility of the Company’s common stock price over the expected term (“volatility”) and the number of options for which vesting requirements will not be completed (“forfeitures”). Changes in the subjective assumptions can materially affect estimates of fair value stock-based compensation, and the related amount recognized on the consolidated statements of operations. Refer to Note 11 – Stock Option Plans, in the notes to consolidated financial statements in this report for a more detailed discussion.

## **Results of Operations 2019 Compared with 2018**

Traditionally, the Company’s sales are stronger in the second and third quarters and weaker in the first and fourth quarters of the fiscal year, due to the seasonal nature of the back-to-school market.

## **Net Sales**

In 2019, sales increased by \$5,135,947, or 4%, to \$142,457,342 compared to \$137,321,395 in 2018.

The U.S. segment sales increased by 4%, in 2019 compared to 2018 due to strong sales of first aid and safety products.

Sales in Canada decreased 5% in U.S. dollars and 3% in local currency compared to the same period in 2018 primarily due to lower sales in the office products market.

Sales in Europe increased 8% in U.S. dollars and 14% in local currency compared to last year mainly due to new customers in the office products channel, growth in sales of DMT sharpening products, and strong e-commerce demand for these products.

## **Gross Profit**

Gross profit was 36.5% of net sales in 2019 compared to 36.9% in 2018.

## **Selling, General and Administrative**

Selling, general and administrative (“SG&A”) expenses were \$43,571,510 in 2019 compared with \$43,192,076 in 2018, an increase of \$379,434, or 1%. SG&A expenses were 30.6% of net sales in 2019 compared to 31.5% in 2018. The increase in SG&A expenses was primarily due to higher personnel related costs, which include compensation and recruiting costs.

## **Operating Income**

Operating income was \$8,429,348 in 2019, compared with \$7,456,906 in 2018. Operating income in the U.S. segment increased by approximately \$1,096,000, primarily due to higher sales. Operating income in Canada decreased by approximately \$113,000, primarily due to lower sales. Operating income in the European segment decreased by approximately \$11,000.

## **Interest Expense, Net**

Net interest expense for 2019 was \$1,788,512, compared with \$1,858,224 for 2018, a decrease of \$69,712. The decrease in interest expense, net for 2019, was primarily the result of a lower average borrowings partially offset by a higher average interest rate during 2019.

## **Other Expense**

Other expense was \$97,627 in 2019 compared to \$68,458 in 2018. The increase in other expense is primarily related to foreign currency transactions.

## **Income Tax Expense**

Income tax expense was \$1,029,556 in 2019, resulting in an effective tax rate of 16% compared to \$932,874, an effective tax rate of 17% in 2018.

## **Off-Balance Sheet Transactions**

The Company did not engage in any off-balance sheet transactions during 2019.

## **Liquidity and Capital Resources**

During 2019, working capital decreased by approximately \$3.1 million compared to December 31, 2018. Inventory decreased by approximately \$2.1 million, or 5%. The Company expects that changes in inventory levels will continue to be consistent with changes in sales, including the seasonal impact on the Company’s revenue stream. Inventory turnover, calculated using a twelve month average inventory balance, was 2.3 at December 31, 2019 as compared to 2.1 at December 31, 2018. The reserve for slow moving and obsolete inventory was \$696,486 at December 31, 2019 compared to \$538,354 at December 31, 2018. We do not anticipate significant increases in the allowance for slow moving and obsolete inventory in the ordinary course of business during 2020.

Receivables increased by approximately \$0.4 million at December 31, 2019 compared to December 31, 2018. The average number of days sales outstanding in accounts receivable was 64 days in 2019 compared to 66 days in 2018. Accounts payable and other current liabilities increased by approximately \$2.3 million.

Long-term debt consists of borrowings under the Company’s revolving loan agreement with HSBC Bank, N.A. The agreement provides for borrowings of up to \$50 million at Prime Rate less 1.25%. The credit facility has an expiration date of May 24, 2023. The Company must pay a facility fee, payable quarterly, in an amount equal to two tenths of one percent (.20%) per annum of the average daily unused portion of the revolving credit line. The facility is intended to provide liquidity for growth, share repurchases, dividends, acquisition and other business activities. Under the revolving loan agreement, the Company is required to maintain specific amounts of tangible net worth, a specified debt to net worth ratio and a fixed charge coverage ratio and must have annual net income greater than zero, measured as of the end of each fiscal year. At December 31, 2019, the Company was in compliance with the covenants then in effect under the loan agreement.

At December 31, 2019, total debt outstanding under the Company's revolving credit facility decreased by approximately \$7.0 million compared to total debt at December 31, 2018. As of December 31, 2019, \$33,240,407 was outstanding and \$16,759,593 was available for borrowing under the Company's revolving credit facility.

On October 26, 2017, the Company exercised its option to purchase its First Aid Only manufacturing and distribution center in Vancouver, WA for \$4.0 million. The property consists of 53,000 square feet of office, manufacturing, and warehouse space on 2.86 acres. The purchase was financed by a variable rate mortgage with HSBC Bank, N.A. at an interest rate of LIBOR plus 2.5%. Commencing on December 1, 2017, principal payments of \$22,222 are due monthly, with all amounts outstanding due on maturity on October 31, 2024. The outstanding principal on December 31, 2019 was \$3,444,445.

Capital expenditures during 2019 and 2018 were \$1,680,479 and \$2,850,993, respectively, which were, in part, financed with borrowings under the Company's revolving credit facility.

The Company believes that cash on hand, and cash generated from operating activities, together with funds available under its revolving credit facility, are expected, under current conditions, to be sufficient to finance the Company's planned operations for at least the next twelve months from the issuance of this Form 10-K.

### **Recently Issued and Adopted Accounting Standards**

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The update eliminates, clarifies and modifies certain guidance related to the accounting for income taxes. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020. The Company does not expect the adoption of ASU 2019-12 to have a material effect on its consolidated financial statements.

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 Disclosures Requirements for Defined Benefit Plans Income Statement - Reporting Comprehensive Income (Topic 220)*. This ASU removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. The Company does not expect the adoption of ASU 2018-14 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, associated with lease accounting. There have been further amendments, including practical expedients, with the issuance of ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, in July 2018, and ASU 2018-20, *Leases (Topic 842) Narrow Scope Improvements for Lessors*, in December 2018. The amended guidance requires the recognition of lease assets and lease liabilities on the balance sheet for those leases with terms in excess of 12 months and currently classified as operating leases. Disclosure of key information about leasing arrangements will also be required. We elected the optional transition method which allows entities to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption.

At transition, lessees and lessors may elect to apply a package of practical expedients permitting entities not to reassess: (i) whether any expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases; and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance. These practical expedients must be elected as a package and consistently applied. We elected to apply the package of practical expedients upon adoption.

Upon adoption of the amended guidance, the Company recorded operating lease right-of-use assets and related liabilities of approximately \$2.9 million, primarily related to real estate leases. The amended guidance did not have any other material impacts on our consolidated financial statements.

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*. ASU No. 2018-02 provides companies with an option to reclassify stranded tax effects within accumulated other comprehensive income ("AOCI") to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. ASU No. 2018-02 also requires disclosure of a description of the accounting policy for releasing income tax effects from AOCI and whether an election was made to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act. ASU No. 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Companies can adopt the provisions of ASU No. 2018-02 in either the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. For Acme, this ASU was adopted effective January 1, 2019 and resulted in a reclassification between retained earnings and AOCI. The impact from this ASU increased retained earnings by approximately \$0.1 million, with an offsetting increase to accumulated other comprehensive loss for the same amount.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 aligns the accounting for share-based payment awards issued to employees and non-employees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The adoption of ASU 2018-07 did not have a material impact on the consolidated financial statements.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, the Company is not required to provide this information.

### **Item 8. Financial Statements and Supplementary Data**

Acme United Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2019	2018
Net sales	\$ 142,457,342	\$ 137,321,395
Cost of goods sold	90,456,484	86,672,413
Gross profit	52,000,858	50,648,982
Selling, general and administrative expenses	43,571,510	43,192,076
Operating income	8,429,348	7,456,906
Non operating items:		
Interest:		
Interest expense	(1,828,408)	(1,891,042)
Interest income	39,896	32,818
Interest expense, net	(1,788,512)	(1,858,224)
Other expense	(97,672)	(67,458)
Total other expense, net	(1,886,184)	(1,925,682)
Income before income tax expense	6,543,164	5,531,224
Income tax expense	1,029,556	932,874
Net income	\$ 5,513,608	\$ 4,598,350
Earnings per share:		
Basic	\$ 1.65	\$ 1.36
Diluted	\$ 1.60	\$ 1.30

See accompanying Notes to Consolidated Financial Statements.



Acme United Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended	
	December 31,	
	2019	2018
Net income	\$ 5,513,608	\$ 4,598,350
Other comprehensive gain (loss) -		
Foreign currency translation	45,223	(461,374)
Change in net prior service credit and actuarial gains, net of income tax expense	143,906	37,388
Total other comprehensive income (loss)	189,129	(423,986)
Comprehensive income	\$ 5,702,737	\$ 4,174,364

See accompanying Notes to Consolidated Financial Statements.

Acme United Corporation and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,821,883	\$ 4,409,042
Accounts receivable, less allowance	25,484,865	25,101,663
Inventories	39,261,105	41,332,137
Prepaid expenses and other current assets	1,578,248	2,149,295
<b>Total current assets</b>	<b>73,146,101</b>	<b>72,992,137</b>
Property, plant and equipment:		
Land	1,420,104	1,422,785
Buildings	10,095,529	10,143,678
Machinery and equipment	19,111,801	18,244,038
<b>Total property, plant and equipment</b>	<b>30,627,434</b>	<b>29,810,501</b>
Less: accumulated depreciation	16,591,890	15,267,877
<b>Net property, plant and equipment</b>	<b>14,035,544</b>	<b>14,542,624</b>
Intangible assets, less accumulated amortization	15,792,738	17,044,400
Goodwill	4,696,370	4,696,370
Operating lease right-of-use asset, net	2,989,272	-
Deferred income taxes	-	113,353
Other assets	88,828	88,902
<b>Total assets</b>	<b>\$ 110,748,853</b>	<b>\$ 109,477,786</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 6,692,692	\$ 7,982,620
Operating lease liability - current portion	1,047,498	-
Current portion of mortgage payable	266,667	266,667
Other accrued liabilities	8,576,248	5,115,400
<b>Total current liabilities</b>	<b>16,583,105</b>	<b>13,364,687</b>
Long-term debt	33,240,407	40,283,115
Mortgage payable, net of current portion	3,177,778	3,444,445
Operating lease liability - non-current portion	1,960,996	-
Deferred income taxes	49,284	-
Other non-current liabilities	32,302	53,128
<b>Total liabilities</b>	<b>55,043,872</b>	<b>57,145,375</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$2.50: authorized 8,000,000 shares; issued - 4,838,071 shares in 2019 and in 2018, including treasury stock	12,094,413	12,094,413
Treasury stock, at cost, 1,487,238 shares in 2019 and 2018	(14,235,190)	(14,235,190)
Additional paid-in capital	8,262,208	8,981,523
Accumulated other comprehensive loss	(1,987,870)	(2,057,985)
Retained earnings	51,571,420	47,549,650
<b>Total stockholders' equity</b>	<b>55,704,981</b>	<b>52,332,411</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 110,748,853</b>	<b>\$ 109,477,786</b>

See accompanying Notes to Consolidated Financial Statements.

Acme United Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances, December 31, 2017	3,374,061	\$ 12,094,413	\$ (13,870,041)	\$ 8,880,543	\$ (1,633,999)	\$ 44,467,077	\$ 49,937,993
Net income						4,598,350	4,598,350
Other comprehensive loss					(423,986)		(423,986)
Stock compensation expense				869,055			869,055
Distribution to shareholders						(1,515,777)	(1,515,777)
Cash settlement of stock options				(768,075)			(768,075)
Purchase of treasury stock	(23,228)		(365,149)				(365,149)
Balances, December 31, 2018	3,350,833	\$ 12,094,413	\$ (14,235,190)	\$ 8,981,523	\$ (2,057,985)	\$ 47,549,650	\$ 52,332,411
Net income						5,513,608	5,513,608
Other comprehensive income					189,129		189,129
Adoption of ASU 2018-02					(119,014)	119,014	-
Stock compensation expense				968,467			968,467
Distribution to shareholders						(1,610,852)	(1,610,852)
Cash settlement of stock options				(1,687,782)			(1,687,782)
Balances, December 31, 2019	3,350,833	\$ 12,094,413	\$ (14,235,190)	\$ 8,262,208	\$ (1,987,870)	\$ 51,571,420	\$ 55,704,981

See accompanying Notes to Consolidated Financial Statements.

Acme United Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	2019	2018
Operating activities:		
Net income	\$ 5,513,608	\$ 4,598,350
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,181,060	2,011,675
Amortization	1,251,662	1,217,525
Stock compensation expense	968,467	869,055
Deferred income taxes	162,637	396,233
Non-cash lease expense	19,222	-
Provision for doubtful accounts	290,128	156,000
Changes in operating assets and liabilities		
Accounts receivable	(784,562)	651,988
Inventories	2,089,861	(1,580,151)
Prepaid expenses and other current assets	666,070	573,604
Accounts payable	(1,525,060)	(3,066,106)
Other accrued liabilities	3,869,138	(1,352,904)
Total adjustments	9,188,623	(123,081)
Net cash provided by operating activities	14,702,231	4,475,269
Investing activities:		
Purchase of property, plant and equipment	(1,680,479)	(2,850,993)
Purchase of intellectual property	-	(379,921)
Net cash used by investing activities	(1,680,479)	(3,230,914)
Financing activities:		
Net repayments of long-term debt	(7,042,708)	(3,167,233)
Repayments on mortgage	(266,667)	(266,667)
Distributions to shareholders	(1,608,956)	(1,484,829)
Cash settlement of stock options	(1,687,782)	(768,075)
Purchase of treasury stock	—	(365,149)
Net cash used by financing activities	(10,606,113)	(6,051,953)
Effect of exchange rate changes	(2,799)	(121,629)
Net increase (decrease) in cash and cash equivalents	2,412,841	(4,929,227)
Cash and cash equivalents at beginning of year	4,409,042	9,338,269
Cash and cash equivalents at end of year	\$ 6,821,883	\$ 4,409,042
Supplemental cash flow information:		
Cash paid for income taxes	\$ 422,339	\$ 887,592
Cash paid for interest expense	\$ 1,863,961	\$ 1,855,356

See accompanying Notes to Consolidated Financial Statements.

**Acme United Corporation and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Operations**

The operations of Acme United Corporation (the “Company”) consist of three reportable segments. The operations of the Company are structured and evaluated based on geographic location. The three reportable segments operate in the United States (including Asian operations), Canada and Europe. Principal products across all segments are scissors, shears, knives, rulers, pencil sharpeners, first aid safety kits, and related products which are sold primarily to wholesale, contract and retail stationery distributors, office supply super stores, mass market retailers, industrial distributors, school supply distributors, drug store retailers, sporting goods stores, hardware chains and wholesale florists.

**2. Accounting Policies**

*Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most sensitive and significant accounting estimates relate to customer rebates, valuation allowances for deferred income tax assets, obsolete and slow-moving inventories, potentially uncollectible accounts receivable, pension liability and accruals for income taxes. Actual results could differ from those estimates.

*Principles of Consolidation* – The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned by the Company. All significant intercompany accounts and transactions are eliminated in consolidation.

*Translation of Foreign Currency* – For foreign operations whose functional currencies are not U.S. dollars, assets and liabilities are translated at rates in effect at the end of the year; revenues and expenses are translated at average rates in effect during the year. Resulting translation adjustments are made directly to accumulated other comprehensive income. Foreign currency transaction gains and losses are recognized in operating results. Included in other expense were foreign currency transaction losses of \$38,988 in 2019 and foreign currency transaction gains of \$7,458 in 2018.

*Cash Equivalents* – Investments with an original maturity of three months or less, as well as time deposits and certificates of deposit that are readily redeemable at the date of purchase, are considered cash equivalents.

*Accounts Receivable* – Accounts receivable are shown less an allowance for doubtful accounts of \$522,560 at December 31, 2019 and \$462,132 at December 31, 2018.

*Inventories* – Inventories are stated at the lower of cost, or net realizable value, determined by the first-in, first-out method.

*Property, Plant and Equipment, and Depreciation* – Property, plant and equipment is recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years.

*Intangible Assets* – Intangible assets with finite useful lives are recorded at cost upon acquisition and amortized over the term of the related contract or useful life, as applicable. Intangible assets held by the Company with finite useful lives include patents and trademarks. Patents and trademarks are amortized over their estimated useful lives. The weighted average amortization period for intangible assets at December 31, 2019 was 10 years. The Company periodically reviews the values recorded for intangible assets to assess recoverability from future operations whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. At December 31, 2019 and 2018, the Company assessed the recoverability of its long-lived assets and believed that there were no events or circumstances present that would require a test of recoverability on those assets. As a result, there was no impairment of the carrying amounts of such assets and no reduction in their estimated useful lives.

*Deferred Income Taxes* – Deferred income taxes are provided for the differences between the financial statement and tax bases of assets and liabilities, and on operating loss carryovers, using tax rates in effect in years in which the differences are expected to reverse.

*Leases* - The Company determines whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All other leases are recorded on the balance sheet with right-of-use (“ROU”) assets representing the right to use the underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. Lease arrangements with lease and non-lease components are generally accounted for as a single lease component.

*Revenue Recognition* – Revenue is recognized when the price is fixed, the title and risks and rewards of ownership have passed to the customer, and when collection is reasonably assured. Depending on the contractual terms of each customer, revenue is recognized either at the time of shipment or upon delivery. When revenue is recorded, estimates of returns are made and recorded as a reduction of revenue. Customer rebates and incentives earned based on promotional programs in place, volume of purchases or other factors are also estimated at the time of revenue recognition and recorded as a reduction of that revenue. Refer to Note 9 – Revenue from Contracts with Customers.

*Research and Development* – Research and development costs (\$596,000 in 2019 and \$734,000 in 2018) are included in selling, general and administrative expenses and expensed as incurred.

*Shipping Costs* – The costs of shipping product to our customers (\$6,695,223 in 2019 and \$7,553,410 in 2018) are included in selling, general and administrative expenses.

*Advertising Costs* – The Company expenses the production costs of advertising the first time that the related advertising takes place. Advertising costs (\$1,104,543 in 2019 and \$1,935,267 in 2018) are included in selling, general and administrative expenses.

*Subsequent Events* – The Company has evaluated events and transactions subsequent to December 31, 2019 through the date the consolidated financial statements were included in this Form 10-K and filed with the SEC.

*Concentration* – The Company performs ongoing credit evaluations of its customers and generally does not require collateral for the extension of credit. Allowances for credit losses are provided and have been within management's expectations. The Company had one customer in 2019 and 2018 that individually exceeded 10% of consolidated net sales. Net sales to this customer were approximately 17% and 16% of consolidated net sales in 2019 and 2018, respectively.

### **Recently Issued and Adopted Accounting Standards**

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The update eliminates, clarifies and modifies certain guidance related to the accounting for income taxes. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020. The Company does not expect the adoption of ASU 2019-12 to have a material effect on its consolidated financial statements.

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 Disclosures Requirements for Defined Benefit Plans Income Statement - Reporting Comprehensive Income (Topic 220)*. This ASU removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. The Company does not expect the adoption of ASU 2018-14 to have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 aligns the accounting for share-based payment awards issued to employees and non-employees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company does not expect the adoption of ASU 2018-07 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, associated with lease accounting. There have been further amendments, including practical expedients, with the issuance of ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, in January 2018, ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, in July 2018 and ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, in December 2018. The amended guidance requires the recognition of lease assets and lease liabilities on the balance sheet for those leases with terms in excess of 12 months and currently classified as operating leases. Disclosure of key information about leasing arrangements will also be required. We elected the optional transition method which allows entities to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption.

At transition, lessees and lessors may elect to apply a package of practical expedients permitting entities not to reassess: (i) whether any expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases; and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance. These practical expedients must be elected as a package and consistently applied. The Company has elected to apply the package of practical expedients upon adoption.

Upon adoption of the amended guidance, the Company recorded operating lease right-of-use assets and related liabilities of approximately \$2.9 million, primarily related to real estate leases. The Company currently does not expect the amended guidance to have any other material impact on our consolidated financial statements.

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*. ASU No. 2018-02 provides companies with an option to reclassify stranded tax effects within accumulated other comprehensive income (“AOCI”) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. ASU No. 2018-02 also requires disclosure of a description of the accounting policy for releasing income tax effects from AOCI and whether an election was made to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act. ASU No. 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Companies can adopt the provisions of ASU No. 2018-02 in either the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. This ASU was adopted effective January 1, 2019 and resulted in a reclassification between retained earnings and accumulated other comprehensive loss. The impact from this ASU increased retained earnings by approximately \$0.1 million, with an offsetting increase to accumulated other comprehensive loss for the same amount.

### 3. Inventories

Inventories consisted of:

	December 31,	
	2019	2018
Finished goods	\$ 32,899,114	\$ 33,427,983
Work in process	274,158	141,646
Materials and supplies	6,087,833	7,762,508
Inventories:	<u>\$ 39,261,105</u>	<u>\$ 41,332,137</u>

Inventories are stated net of valuation allowances for slow moving and obsolete inventory of \$696,486 as of December 31, 2019 and \$538,354 as of December 31, 2018.

### 4. Intangible Assets and Goodwill

The Company’s intangible assets and goodwill consisted of:

	December 31,	
	2019	2018
First Aid Only Tradename	\$ 3,410,000	\$ 3,410,000
First Aid Only Customer List	5,500,010	5,500,010
DMT Trademarks	1,387,000	1,387,000
DMT Customer List	1,369,000	1,369,000
DMT Non-Compete	183,000	183,000
Slice License Agreement	379,921	379,921
Patents	2,271,980	2,271,980
Trademarks	663,698	663,698
Pac-Kit Tradename, Customer List	1,500,000	1,500,000
Spill Magic Customer List	3,965,000	3,965,000
Spill Magic Trademarks	1,034,000	1,034,000
Spill Magic Non-Compete	67,111	67,111
C-Thru Customer List	1,050,000	1,050,000
Subtotal	<u>22,780,720</u>	<u>22,780,720</u>
Less: Accumulated Amortization	6,987,982	5,736,320
Intangible Assets	<u>\$ 15,792,738</u>	<u>\$ 17,044,400</u>
Goodwill	<u>\$ 4,696,370</u>	<u>\$ 4,696,370</u>

Amortization expense for patents and trademarks for the years ended December 31, 2019 and 2018 were \$1,251,662 and \$1,217,525, respectively. The estimated aggregate amortization expense for each of the next five succeeding years, calculated on a similar basis, is as follows: 2020 - \$1,236,796; 2021 - \$1,234,971; 2022 - \$1,231,686; 2023 - \$1,227,488; and 2024 - \$1,222,299.

## 5. Other Accrued Liabilities

The Company's other current and long-term accrued liabilities consisted of:

	December 31,	
	2019	2018
Customer Rebates	\$ 4,849,081	\$ 3,395,511
Pension Liability	44,667	147,099
Accrued Compensation	1,695,464	370,477
Dividend Payable	402,318	402,158
Other	1,617,020	853,283
Total:	<u>\$ 8,608,550</u>	<u>\$ 5,168,528</u>

## 6. Pension and Profit Sharing

United States employees, hired prior to July 1, 1993, are covered by a funded, defined benefit pension plan. The benefits of this pension plan are based on years of service and the average compensation of the highest three consecutive years during the last ten years of employment. In December 1995, the Company's Board of Directors approved an amendment to the United States pension plan that terminated all future benefit accruals as of February 1, 1996, without terminating the pension plan.

The Company's funding policy with respect to its qualified plan is to contribute at least the minimum amount required by applicable laws and regulations. In 2019, the Company contributed \$14,413 to the plan.

The plan asset weighted average allocation at December 31, 2019 and December 31, 2018, by asset category, were as follows:

Asset Category:	2019	2018
Equity Securities	66%	65%
Fixed Income Securities	32%	33%
Other Securities / Investments	2%	2%
Total:	<u>100%</u>	<u>100%</u>

The Company's investment policy for the pension plan is to minimize risk by balancing investments between equity securities and fixed income securities. Plan funds are invested in long-term obligations with a history of moderate to low risk.

The pension plan asset information included below is presented at fair value. ASC 820 establishes a framework for measuring fair value and requires disclosures about assets and liabilities measured at fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables present the pension plan assets by level within the fair value hierarchy as of December 31, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 31	\$ 16,763	\$ —	\$ 16,794
Equity Common and Collected Funds	102,030	580,839	—	682,869
Fixed Income Common and Collected Funds	82,670	246,316	—	328,986
Total:	<u>\$ 184,731</u>	<u>\$ 843,918</u>	<u>\$ —</u>	<u>\$ 1,028,649</u>

  

2018	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 4	\$ 17,320	\$ —	\$ 17,324
Equity Common and Collected Funds	99,616	564,371	—	663,957
Fixed Income Common and Collected Funds	83,211	249,309	—	332,520
Total:	<u>\$ 182,831</u>	<u>\$ 831,000</u>	<u>\$ —</u>	<u>\$ 1,013,831</u>



Other disclosures related to the pension plan follow:

	2019	2018
<b>Assumptions used to determine benefit obligation:</b>		
Discount rate	2.74%	3.87%
<b>Changes in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ (1,160,930)	\$ (1,362,867)
Interest cost	(41,841)	(39,851)
Service cost	(25,000)	(33,000)
Actuarial (loss) gain	(46,288)	71,338
Benefits and plan expenses paid	200,743	203,450
Benefit obligation at end of year:	<u>\$ (1,073,316)</u>	<u>\$ (1,160,930)</u>
<b>Changes in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 1,013,831	\$ 1,249,825
Actual return on plan assets	201,148	(57,651)
Employer contribution	14,413	25,107
Benefits and plan expenses paid	(200,743)	(203,450)
Fair value of plan assets at end of year	<u>1,028,649</u>	<u>1,013,831</u>
Funded status:	<u>\$ (44,667)</u>	<u>\$ (147,099)</u>

Amounts recognized in accumulated other comprehensive income:

Net actuarial loss	\$ 689,398	\$ 880,370
Prior service cost	538	1,082
Total:	<u>\$ 689,936</u>	<u>\$ 881,452</u>

Accrued benefits costs are included in other accrued liabilities (non-current).

	2019	2018
<b>Assumptions used to determine net periodic benefit cost:</b>		
Discount rate	3.87%	3.14%
Expected return on plan assets	6.00%	6.00%
<b>Components of net benefit expense:</b>		
Service cost	\$ 25,000	\$ 33,000
Interest cost	41,841	39,851
Expected return on plan assets	(54,330)	(67,547)
Amortization of prior service costs	544	543
Amortization of actuarial loss	90,442	87,360
	78,497	60,207
Net periodic benefit cost:	<u>\$ 103,497</u>	<u>\$ 93,207</u>

The Company employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equity securities and fixed income securities are preserved consistent with the widely-accepted capital market principle that assets with higher volatility generate higher returns over the long run. Our expected 6% long-term rate of return on plan assets is determined based on long-term historical performance of plan assets, current asset allocation and projected long-term rates of return.

The following table discloses the change recorded in other comprehensive income related to benefit costs:

	2019	2018
Balance at beginning of the year	\$ 881,452	\$ 915,495
Change in net loss	(100,530)	53,860
Amortization of actuarial loss	(90,442)	(87,360)
Amortization of prior service cost	(544)	(543)
Change recognized in other comprehensive income	<u>(191,516)</u>	<u>(34,043)</u>
Total recognized in other comprehensive income	<u>\$ 689,936</u>	<u>\$ 881,452</u>

The Company anticipates that in 2020, net periodic benefit cost will include approximately \$74,720 of net actuarial loss and \$543 of prior service cost.

The following benefits are expected to be paid:

2020	\$	152,000
2021		135,000
2022		120,000
2023		106,000
2024		95,000
Years 2025 - 2029		332,000

The Company also has a qualified, 401k plan covering substantially all of its United States employees. Annual Company contributions to this plan are determined by the Company's Compensation Committee. For the years ended December 31, 2019 and 2018, the Company contributed 50% of employee's contributions, up to the first 6% contributed by each employee. Total contribution expense under this 401k plan was \$309,922 in 2019 and \$271,541 in 2018.

## 7. Income Taxes

The amounts of income tax expense (benefit) reflected in operations is as follows:

	2019	2018
<b>Current:</b>		
Federal	\$ (82,673)	\$ (118,269)
State	109,593	44,315
Foreign	887,556	618,930
Total:	<u>\$ 914,476</u>	<u>\$ 544,976</u>
<b>Deferred:</b>		
Federal	\$ 92,446	\$ 311,608
State	22,634	76,290
Total:	<u>115,080</u>	<u>387,898</u>
<b>Total Income Tax Expense:</b>	<u>\$ 1,029,556</u>	<u>\$ 932,874</u>

The current state tax provision was comprised of taxes on income, the minimum capital tax and other franchise taxes related to the jurisdictions in which the Company's facilities are located.

A summary of United States and foreign income before income taxes follows:

	2019	2018
United States	\$ 800,796	\$ 1,928,627
Foreign	5,742,368	3,602,597
Total:	<u>\$ 6,543,164</u>	<u>\$ 5,531,224</u>

As discussed in Note 11 below, for segment reporting, direct import sales are included in the United States segment. However, the revenues are earned by our Hong Kong subsidiary and related income taxes are paid in Hong Kong whose rate approximates 16.5%. As such, income of the Asian subsidiary is included in the foreign income before taxes.

The following schedule reconciles the amounts of income taxes computed at the United States statutory rates to the actual amounts reported in operations:

	2019	2018
Federal income taxes at 21% statutory rate	\$ 1,365,124	\$ 1,146,673
State and local taxes, net of federal income tax effect	109,593	95,278
Permanent items	(137,051)	(75,022)
Effect of federal rate change on deferred taxes	—	(111,324)
Foreign tax rate difference	(209,216)	(59,232)
Change in deferred income tax valuation allowance	(98,894)	(63,499)
Provision for income taxes:	<u>\$ 1,029,556</u>	<u>\$ 932,874</u>

The following summarizes deferred income tax assets and liabilities:

	2019	2018
<b>Deferred income tax liabilities:</b>		
Plant, property and equipment	\$ 1,022,898	\$ 847,162
	<u>1,022,898</u>	<u>847,162</u>
<b>Deferred income tax assets:</b>		
Asset valuations	604,755	575,920
Pension	81,561	105,647
Other	287,115	278,948
	<u>973,431</u>	<u>960,515</u>
Net deferred income tax (liability) asset:	<u>\$ (49,467)</u>	<u>\$ 113,353</u>

On January 22, 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income (“GILTI”) provisions of the Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company considers any potential GILTI as an expense in the period the tax is incurred.

In 2019, the Company evaluated its tax positions for years which remain subject to examination by major tax jurisdictions, in accordance with the requirements of ASC 740 and as a result, concluded no adjustment was necessary. The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The Company’s evaluation of uncertain tax positions was performed for the tax years ended December 31, 2016 and forward, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2019.

Due to the uncertain nature of the realization of the Company’s deferred income tax assets based on past performance of its German subsidiary and carry forward expiration dates, the Company has recorded a valuation allowance for the amount of deferred income tax assets which are not expected to be realized. This valuation allowance, all of which is related to deferred tax assets resulting from net operating losses of the Company’s German subsidiary, is subject to periodic review, and, if the allowance is reduced, the tax benefit will be recorded in future operations as a reduction of the Company’s tax expense.

## 8. Long-Term Debt and Shareholders’ Equity

Long-term debt consists of borrowings under the Company’s revolving loan agreement with HSBC Bank, N.A. The agreement provides for borrowings of up to \$50 million at Prime Rate less 1.25%. The credit facility has an expiration date of May 24, 2023. The Company must pay a facility fee, payable quarterly, in an amount equal to two tenths of one percent (.20%) per annum of the average daily unused portion of the revolving credit line. The facility is intended to provide liquidity for growth, share repurchases, dividends, acquisition and other business activities. Under the revolving loan agreement, the Company is required to maintain specific amounts of tangible net worth, a specified debt to net worth ratio and a fixed charge coverage ratio and must have annual net income greater than zero, measured as of the end of each fiscal year. At December 31, 2019, the Company was in compliance with the covenants then in effect under the loan agreement.

As of December 31, 2019, \$33,240,407 was outstanding and \$16,759,593 was available for borrowing under the Company’s revolving loan agreement.

On October 26, 2017, the Company exercised its option to purchase its First Aid Only manufacturing and distribution center in Vancouver, WA for \$4.0 million. The property consists of 53,000 square feet of office, manufacturing, and warehouse space on 2.86 acres. The purchase was financed by a variable rate mortgage with HSBC Bank, N.A. at an interest rate of LIBOR plus 2.5%. Commencing on December 1, 2017, principal payments of \$22,222 are due monthly, with all amounts outstanding due on maturity on October 31, 2024. Minimum annual mortgage payments are due as follows: 2020 - \$266,664; 2021 - \$266,664; 2022 - \$266,664; 2023 - \$266,664; 2024 - \$266,664; and thereafter - \$2,111,130.

On November 14, 2019, the Company announced a Common Stock repurchase program of up to a total of 200,000 shares. The program does not have an expiration date. During the twelve months ended December 31, 2019, the Company did not repurchase any shares of its Common Stock. As of December 31, 2019, a total of 217,999 shares may be purchased in the future under the repurchase programs announced in 2010 and 2019.

## 9. Revenue from Contracts with Customers

### *Nature of Goods and Services*

The Company recognizes revenue from the sales of a broad line of products that are grouped into two main categories: (i) cutting, sharpening and measuring; and (ii) first aid and safety. The cutting and sharpening category includes scissors, knives, paper trimmers, pencil sharpeners and other sharpening tools. The first aid and safety category includes first aid kits and refills, over-the-counter medications and a variety of safety products. Revenue recognition is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

### When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue is generated by the sale of the Company's products to its customers. Sales contracts (purchase orders) generally have a single performance obligation that is satisfied at a point in time, with shipment or delivery, depending on the terms of the underlying contract. Revenue is measured based on the consideration specified in the contract. The amount of consideration we receive and revenue we recognize is impacted by incentives ("customer rebates"), including sales rebates, which are generally tied to sales volume levels, in-store promotional allowances, shared media and customer catalogue allowances and other cooperative advertising arrangements; freight allowance programs offered to our customers; and allowance for returns and discounts. We generally recognize customer rebate costs as a deduction to gross sales at the time that the associated revenue is recognized.

### Significant Payment Terms

Payment terms for each customer are dependent on the agreed upon contractual repayment terms. Typically between 30 and 90 days, but they vary dependent on the size of the customer and its risk profile to the Company. Some customers receive discounts for early payment.

### Product Returns

The Company accepts product returns in the normal course of business. The Company estimates reserves for returns and the related refunds to customers based on historical experience. Reserves for returned merchandise are included as a component of "Accounts receivables" in the consolidated balance sheets.

### Practical Expedient Usage and Accounting Policy Elections

For the Company's contracts that have an original duration of one year or less, the Company uses the practical expedient in ASC 606-10-32-18 applicable to such contracts and accordingly, does not consider the time value of money in relation to significant financing components. The effect of applying this practical expedient election did not have an impact on the Company's consolidated financial statements.

Per ASC 606-10-25-18B, the Company has elected to account for shipping and handling activities that occur after the customer has obtained control as a fulfillment activity instead of a performance obligation. Furthermore, shipping and handling activities performed before transfer of control of the product also do not constitute a separate and distinct performance obligation.

The Company has elected to exclude from the transaction price those amounts which relate to sales and other taxes that are assessed by governmental authorities and that are imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer.

Applying the practical expedient in ASC 340-40-25-4 – *Other Assets and Deferred Costs*, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred. These costs are included in "Selling, general and administrative expenses." The effect of applying this practical expedient did not have a material impact on the Company's consolidated financial statements.

### Disaggregation of Revenues

The following table represents external net sales disaggregated by product category, by segment:

For the twelve months ended December 31, 2019  
(amounts in 000's)

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Total</u>
Cutting, Sharpening and Measuring	\$ 63,189	\$ 6,678	\$ 10,062	\$ 79,929
First Aid and Safety	62,528	—	—	62,528
<b>Total Net Sales</b>	<b>\$ 125,717</b>	<b>\$ 6,678</b>	<b>\$ 10,062</b>	<b>\$ 142,457</b>

For the twelve months ended December 31, 2018  
(amounts in 000's)

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Total</u>
Cutting, Sharpening and Measuring	\$ 64,019	\$ 7,040	\$ 9,288	\$ 80,347
First Aid and Safety	56,974	—	—	56,974
<b>Total Net Sales</b>	<b>\$ 120,993</b>	<b>\$ 7,040</b>	<b>\$ 9,288</b>	<b>\$ 137,321</b>

## 10. Segment Information

The Company reports financial information based on the organizational structure used by the Company's chief operating decision makers for making operating and investment decisions and for assessing performance. The Company's reportable business segments consist of: (1) United States; (2) Canada; and (3) Europe. As described below, the activities of the Company's Asian operations are closely linked to those of the U.S. operations; accordingly, the Company's chief operating decision makers review the financial results of both on a consolidated basis, and the results of the Asian operations have been aggregated with the results of the United States operations to form one reportable segment called the "United States segment" or "U.S. segment". Each reportable segment derives its revenue from the sales of cutting devices, measuring instruments and safety products for school, office, home, hardware, sporting and industrial use.

Domestic sales orders are filled primarily from the Company's distribution centers in North Carolina, Washington, Massachusetts, Tennessee and California. The Company is responsible for the costs of shipping, insurance, customs clearance, duties, storage and distribution related to such products. Orders filled from the Company's inventory are generally for less than container-sized lots.

Direct import sales are products sold by the Company's Asian subsidiary, directly to major U.S. retailers who take ownership of the products in Asia. These sales are completed by delivering product to the customers' common carriers at the shipping points in Asia. Direct import sales are made in larger quantities than domestic sales, typically full containers. Direct import sales represented approximately 14% and 12% of the Company's total net sales in 2019 and 2018, respectively.

The Chief Operating Decision Maker evaluates the performance of each operating segment based on segment revenues and operating income. Segment revenues are defined as total revenues, including both external customer revenue and inter-segment revenue. Segment operating earnings are defined as segment revenues, less cost of goods sold and operating expenses. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Inter-segment amounts are eliminated to arrive at consolidated financial results.

The following table sets forth certain financial data by segment for the fiscal years ended December 31, 2019 and 2018:

Financial data by segment:

(000's omitted)

### Year Ended December 31, 2019:

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Consolidated</u>
Net sales	\$ 125,717	\$ 6,678	\$ 10,062	\$ 142,457
Operating income	7,199	771	459	8,429
Assets	98,577	6,168	6,003	110,749
Additions to property, plant and equipment	1,646	2	32	1,680
Depreciation and amortization	3,347	16	70	3,433

### Year Ended December 31, 2018:

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Consolidated</u>
Net sales	\$ 120,993	\$ 7,040	\$ 9,288	\$ 137,321
Operating income	6,103	884	470	7,457
Assets	99,721	3,839	5,918	109,478
Additions to property, plant and equipment	2,705	83	63	2,851
Depreciation and amortization	3,153	9	67	3,229

The following is a reconciliation of segment operating income to consolidated income before taxes:

	<u>2019</u>	<u>2018</u>
Total operating income	\$ 8,429	\$ 7,457
Interest expense, net	1,789	1,858
Other expense	97	68
Consolidated income before taxes	<u>\$ 6,543</u>	<u>\$ 5,531</u>

The table below presents revenue by geographic area. Revenues are attributed to countries based on location of the customer.

Revenues	2019	2018
United States	\$ 124,059	\$ 119,573
International:		
Canada	6,678	7,040
Europe	10,062	9,288
Other	1,658	1,420
Total International	\$ 18,398	\$ 17,748
Total Revenues	\$ 142,457	\$ 137,321

## 11. Stock Option Plans

The Company grants stock options under the 2012 Employee Stock Option Plan (the “2012 Employee Plan”) and under the 2017 Non-Salaried Director Stock Option Plan (the “2017 Director Plan”). The Company also has two plans under which the Company no longer grants options but under which certain options remain outstanding: the 2002 Employee stock Option Plan and the 2005 Non-Salaried Director Stock Option Plan (the “2005 Director Plan”).

The 2012 Employee Plan, which became effective April 23, 2012, provides for the issuance of incentive and nonqualified stock options at an exercise price equal to the fair market value of the Common Stock on the date the option is granted. The terms of the options granted are subject to the provisions of the 2012 Employee Plan. Options granted under the 2012 Employee Plan vest 25% one day after the first anniversary of the grant date and 25% one day after each of the next three anniversaries. As of December 31, 2019, the number of shares available for grant under the 2012 Employee Plan was 44,875. Under the terms of the Employee Plan, no option may be granted under that plan after the tenth anniversary of the adoption of the plan. Options outstanding under the Company’s 2002 Employee Stock Option Plan have the same vesting schedule as the 2012 Employee Plan.

The 2017 Director Plan provides for the issuance of stock options for up to a total of 60,000 shares of the Company’s common stock to non-salaried directors. Under the Director Plan, Directors elected after the effective date and at subsequent Annual Meetings who have not received any prior grant under this or previous plans shall receive an initial grant of an option to purchase 5,000 shares of Common Stock (the “Initial Option”). Each year, each elected Director not receiving an Initial Option will receive an option to purchase 5,000 shares of Common Stock (the “Annual Option”). The Initial Option vests 25% on the date of grant and 25% on the anniversary of the grant date in each of the following 3 years. Each Annual Option becomes fully exercisable one day after the date of grant. The exercise price of each option granted equals the fair market value of the Common Stock on the date the option is granted, and expires ten (10) years from the date of grant. As provided in the Director Plan, no options may be granted under the Director Plan after the tenth anniversary of the adoption of the Plan, i.e., after April 24, 2027. As of December 31, 2019, there were no shares available for grant under the 2017 Director Plan.

The 2005 Director Plan, as amended, provided for the issuance of stock options for up to a total of 180,000 shares of the Company’s common stock to non-salaried directors. Under the Director Plan, Directors elected on April 25, 2005 and at subsequent Annual Meetings who had not received any prior grant under this or previous plans received an initial grant of an option to purchase 5,000 shares of Common Stock (the “Initial Option”). Each year, each elected Director not receiving an Initial Option received a 5,000 share option (the “Annual Option”). The Initial Option vested 25% on the date of grant and 25% on the anniversary of the grant date in each of the following 3 years. Each Annual Option became fully exercisable one day after the date of grant. The exercise price of each option granted equaled the fair market value of the Common Stock on the date the option was granted, and expired ten (10) years from the date of grant. As provided in the Director Plan, no options could be granted under the Director Plan after the tenth anniversary of the adoption of the Plan, i.e., after April 25, 2015.

The Company has amended certain of its stock option plans for both employees and directors to permit options to be exercised on a net basis and receive either cash or shares of the Company’s Common Stock. Specifically, optionees may, at the time of exercise of an option and subject to the consent of the Company, elect either (i) to receive from the Company cash in an amount equal to the number of shares of Common Stock subject to the option (or portion thereof) that is being exercised multiplied by the excess of (a) the fair market value per share over (b) the exercise price per share of the option (a “net cash settlement”); or (ii) to make payment of the exercise price of the option by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such option by the number of shares having an aggregate fair market value equal to the total exercise price of the option (or portion thereof). In 2019, the Company paid a total of approximately \$1,687,782 and 160,586 shares to optionees who had elected a net cash settlement of their respective options.

A summary of changes in options issued under the Company's stock option plans follows:

	2019	2018
Options outstanding at the beginning of the year	1,434,280	1,289,080
Options granted	120,000	232,200
Options forfeited	(26,500)	(11,500)
Options exercised	(164,086)	(75,500)
Options outstanding at the end of the year	<u>1,363,694</u>	<u>1,434,280</u>
Options exercisable at the end of the year	<u>932,094</u>	<u>918,405</u>
Common stock available for future grants at the end of the year	<u>44,875</u>	<u>85,000</u>
Weighted average exercise price per share:		
Granted	\$ 19.88	\$ 22.75
Forfeited	23.29	23.07
Exercised	10.54	11.47
Outstanding	19.08	18.07
Exercisable	17.50	15.15

A summary of options outstanding as December 31, 2019 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$7.30 to \$10.74	156,969	2	\$ 10.17	156,969	\$ 10.17
\$10.75 to \$16.82	242,750	3	13.57	242,750	13.57
\$16.83 to \$22.08	448,250	7	19.52	302,625	19.23
\$22.09 to \$23.97	217,700	9	22.79	69,425	22.76
\$23.98 to \$28.20	298,025	8	24.87	160,325	25.07
	<u>1,363,694</u>			<u>932,094</u>	

The weighted average remaining contractual life of all outstanding stock options is 6 years.

### Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of employee and non-employee director stock options. The determination of the fair value of stock-based payment awards on the date of grant, using an option-pricing model, is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of the Company's Common Stock price over the expected term ("volatility") and the number of options that will not fully vest in accordance with applicable vesting requirements ("forfeitures").

The Company estimates the expected term of options granted by evaluating various factors, including the vesting period, historical employee information, as well as current and historical stock prices and market conditions. The Company estimates the volatility of its common stock by calculating historical volatility based on the closing stock price on the last day of each of the 60 months leading up to the month the option was granted. The risk-free interest rate that the Company uses in the option valuation model is the interest rate on U.S. Treasury zero-coupon bond issues with remaining terms similar to the expected term of the options granted. Historical information was the basis for calculating the dividend yield. The Company is required to estimate forfeitures at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company used a mix of historical data and future assumptions to estimate pre-vesting option forfeitures and to record stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized over the requisite service periods of the awards, which are generally the vesting periods.

The assumptions used to value option grants for the twelve months ended December 31, 2019 and December 31, 2018 were as follows:

	2019	2018
Expected life in years	5 - 6	5
Interest rate	1.52 - 2.39%	2.43 - 3.02%
Volatility	.358 - .375	.287 - .316
Dividend yield	2.0 - 2.2%	1.8 - 2.75%

Total stock-based compensation recognized in the Company's consolidated statements of operations for the years ended December 31, 2019 and 2018 was \$968,467 and \$869,055, respectively. At December 31, 2019, there was approximately \$1,410,872 of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted to the Company's employees. As of December 31, 2019, the remaining unamortized expense is expected to be recognized over a weighted average period of 3 years.

The weighted average fair value at the date of grant for options granted during 2019 and 2018 was \$5.88 and \$5.77 per option, respectively. The aggregate intrinsic value of outstanding options was \$6,751,281 at December 31, 2019. The aggregate intrinsic value of exercisable options was \$6,072,173 at December 31, 2019. The aggregate intrinsic value of options exercised during 2019 was \$1,734,667.

## 12. Earnings Per Share

The calculation of earnings per share follows:

	2019	2018
<b>Numerator:</b>		
Net income	\$ 5,513,608	\$ 4,598,350
<b>Denominator:</b>		
Denominator for basic earnings per share:		
Weighted average shares outstanding	3,351,731	3,370,744
Effect of dilutive employee stock options	100,892	171,166
Denominator for dilutive earnings per share	3,452,623	3,541,910
Basic earnings per share	\$ 1.65	\$ 1.36
Dilutive earnings per share	\$ 1.60	\$ 1.30

For 2019 and 2018, respectively, 705,725 and 692,600 stock options were excluded from diluted earnings per share calculations because they would have been anti-dilutive.

## 13. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss follow:

	Foreign currency translation adjustment	Net prior service credit and actuarial losses	Total
<b>Balances, December 31, 2017</b>	\$ (1,057,448)	\$ (576,551)	\$ (1,633,999)
Change in net prior service credit and actuarial losses, net of tax		37,388	37,388
Translation adjustment	(461,374)		(461,374)
<b>Balances, December 31, 2018</b>	\$ (1,518,822)	\$ (539,163)	\$ (2,057,985)
Change in net prior service credit and actuarial losses, net of tax		143,906	143,906
Adoption of ASU 2018-02		(119,014)	(119,014)
Translation adjustment	45,223		45,223
<b>Balances, December 31, 2019</b>	\$ (1,473,599)	\$ (514,271)	\$ (1,987,870)

## 14. Financial Instruments

The carrying value of the Company's bank debt is a reasonable estimate of fair value because of the nature of its payment terms and maturity.

## 15. Quarterly Data (unaudited)

Quarters (000's omitted, except per share data):

2019	First	Second	Third	Fourth	Total
Net sales	\$ 31,370	\$ 40,220	\$ 36,995	\$ 33,872	\$ 142,457
Cost of goods sold	19,568	25,449	23,861	21,578	90,456
Gross profit	11,802	14,771	13,134	12,294	52,001
Net income	807	2,671	1,059	978	5,514
Basic earnings per share	\$ 0.24	\$ 0.80	\$ 0.32	\$ 0.29	\$ 1.65
Diluted earnings per share	\$ 0.24	\$ 0.77	\$ 0.30	\$ 0.29	\$ 1.60
Dividends per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48



2018	First	Second	Third	Fourth	Total
Net sales	\$ 31,709	\$ 39,751	\$ 34,731	\$ 31,130	\$ 137,321
Cost of goods sold	19,585	25,039	22,281	19,767	86,672
Gross profit	12,124	14,712	12,450	11,363	50,649
Net income	764	2,436	807	591	4,598
Basic earnings per share	\$ 0.23	\$ 0.72	\$ 0.24	\$ 0.18	\$ 1.36
Diluted earnings per share	\$ 0.21	\$ 0.67	\$ 0.23	\$ 0.17	\$ 1.30
Dividends per share	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.45

Earnings per share were computed independently for each of the quarters presented. Therefore, the sum of the four quarterly earnings per share amounts may not necessarily equal the earnings per share for the year.

## 16. Leases

The Company has operating leases for office and warehouse space and equipment under various arrangements which provide the right to use the underlying asset and require lease payments for the lease term. The Company's lease portfolio consists of operating leases which expire at various dates through 2024.

Certain of the Company's lease arrangements contain renewal provisions, exercisable at the Company's option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is an operating lease at inception. All other leases are recorded on the balance sheet with right-of-use ("ROU") assets representing the right to use the underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. As most of our leases do not provide an implicit rate, the present value of lease payments is determined primarily using our incremental borrowing rate based on the information available at the lease commencement date. Lease agreements with lease and non-lease components are generally accounted for as a single lease component. The Company's operating lease expense is recognized on a straight-line basis over the lease term. Operating lease cost was \$1.1 million for the twelve-months ended December 31, 2019. For the twelve months ended December 31, 2019, \$0.4 million was included in cost of goods sold and \$0.7 million was included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Information related to leases (in 000's):

	Twelve months ended December 31, 2019
Operating lease cost	\$ 1,121
Operating lease - cash flow	\$ 1,099
	December 31, 2019
Weighted-average remaining lease term	4.0 years
Weighted-average discount rate	5%

Future minimum lease payments under non-cancellable leases as of December 31, 2019:

2020	\$	1,108
2021		736
2022		467
2023		462
2024		278
Thereafter		295
Total future minimum lease payments	\$	3,345
Less : imputed interest		(337)
Less : present value of lease liabilities - current		(1,047)
Present value of lease liabilities - non-current	\$	1,962

## **17. Subsequent Event**

On January 7, 2020, the Company purchased the assets of First Aid Central, located in Laval, Quebec, Canada, including a broad line of first aid kits, refills, and safety products which are sold to a wide range of industries and end users. Its products meet federal Health Canada and provincial regulatory requirements. The Company purchased First Aid Central assets for \$2.1 million in cash using funds borrowed under its revolving credit facility with HSBC Bank, N.A.

To the Shareholders and Board of Directors of

**Acme United Corporation**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Acme United Corporation and Subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (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 December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, 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 December 31, 2019, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated March 12, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**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 audits 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.

We have served as the Company's auditor since 2008; such date takes into consideration the acquisition of a portion of UHY LLP by Marcum LLP in April 2010.

Marcum LLP

New Haven, Connecticut  
March 13, 2020

# **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders and Board of Directors of

## **Acme United Corporation**

### **Opinion on Internal Control over Financial Reporting**

We have audited Acme United Corporation and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows and the related notes for each of the two years in the period ended December 31, 2019 of the Company, and our report dated March 12, 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 Annual 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 the 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 degree of compliance with the policies or procedures may deteriorate.

Marcum LLP  
New Haven, Connecticut  
March 13, 2020

**Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

There have been no disagreements with accountants related to accounting and financial disclosures in 2019.

**Item 9A. Controls and Procedures****Evaluation of Disclosure Controls and Procedures.**

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2019. Based on and as of the time of such evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 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.

**Management's Report on Internal Control over Financial Reporting.**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the framework in Internal Control -Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation our management concluded that our internal control over financial reporting was effective as of December 31, 2019. The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by Marcum, LLP, an independent registered public accounting firm, as stated in its attestation report, which is included in Item 8 and is incorporated into this Item 9A by reference.

**Changes in Internal Control over Financial Reporting.**

No changes in our internal control over financial reporting were identified as having occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information with respect to the directors and executive officers of the Company. All directors of the Company hold office until the next annual meeting of the shareholders or until their successors have been elected and qualified. Executive officers are elected by the Board of Directors to hold office until their successors are elected and qualified.

<u>Name</u>	<u>Age</u>	<u>Position Held with Company</u>
Walter C. Johnsen	69	Chairman of the Board and Chief Executive Officer
Brian S. Olschan	63	President, Chief Operating Officer and Director
Paul G. Driscoll	59	Vice President, Chief Financial Officer, Secretary and Treasurer
Rex L. Davidson	70	Director
Richmond Y. Holden, Jr.	66	Director
Susan H. Murphy	68	Director
Brian K. Barker	59	Director
Stevenson E. Ward III	74	Director

**Walter C. Johnsen** has served as Chairman of the Board and Chief Executive Officer of the Company since January 1, 2007; President and Chief Executive Officer of the Company from November 30, 1995 to December 31, 2006. Mr. Johnsen previously served as Vice Chairman and a principal of Marshall Products, Inc., a medical supply distributor. Mr. Johnsen has served on the Board of TOMI Environmental Solutions, Inc., a publicly traded company, since February 1, 2016. Mr. Johnsen's qualifications to serve on the Board of the Company include the in-depth knowledge of all facets of the Company's business which he has gained during his tenure as the Company's Chief Executive Officer.

**Brian S. Olschan** has served as President and Chief Operating Officer of the Company since January 1, 2007; Executive Vice President and Chief Operating Officer of the Company from January 1999 to December 31, 2006; Senior Vice President - Sales and Marketing of the Company from September 1996 to January 1999; Mr. Olschan previously served as Vice President and General Manager of the Cordset and Assembly Business of General Cable Corporation, an electrical wire and cable manufacturer. Mr. Olschan's qualifications to serve on the Board include his detailed knowledge of the Company's operations which he has gained in his capacity as a member of senior management for more than eleven years, including as Chief Operating Officer since January 1999 and President since January 2007.

**Paul G. Driscoll** has served as Vice President and Chief Financial Officer, Secretary and Treasurer since October 2, 2002. Mr. Driscoll joined Acme as Director of International Finance on March 19, 2001. From 1997 to 2001, he was employed by Ernest and Julio Gallo Winery, including as Director of Finance and Operations in Japan. Prior to Gallo he served in several increasingly responsible finance positions in Sterling Drug Inc. in New York City and Sanofi S.A. in France.

**Rex L. Davidson** has served as Director since 2006. Executive Director of the Helms Fund since 2013-2019. The Helms Fund provides "gap financing" to socially responsible business ventures for capital expenditures. Additionally, since 2009, Mr. Davidson has served as President of Rex Davidson Associates, LLC, a management consulting service, and Executive Director of Las Cumbres Community Services, which provides developmental disability and mental health services to children, adults and families in Northern New Mexico. From 1982 to 2009, he served as President and Chief Executive Officer of Goodwill Industries of Greater New York and Northern New Jersey, Inc., and President of Goodwill Industries Housing Corporation. Mr. Davidson's qualifications to serve on the Board include significant management experience at the highest level, having been responsible for the management of Goodwill Industries, an organization with over 2,000 employees and revenues in excess of \$100 million. Mr. Davidson's experience in the areas of compensation of personnel at all levels, his experience relating to retail matters, such as retail trends and pricing, and diversity policies are of significant benefit to the Company.

**Richmond Y. Holden, Jr.** has served as Director since 1998. Mr. Holden served as President and CEO of INgageHub, a cloud-based Marketing SaaS platform, from January 2015 through early 2016; he continued to serve as a senior advisor to the company until 2019. From 2007 through 2014, Mr. Holden served in senior executive positions at, School Specialty, Inc., a distributor of school supplies, equipment and curriculum products. He last served as Executive Vice President of School Specialty, Inc., and President of the Curriculum Group, a division of School Specialty Inc., from 2013 to December 2014. He was President of Educational Resources, a division of School Specialty, Inc., from 2010 to 2013. He served as Chairman and Chief Executive Officer of J.L. Hammett Co., a reseller of educational, curriculum, equipment, and products from 1992 to 2006. Mr. Holden served on the Board of Directors of Software Secure, Incorporated, a privately held company headquartered in Newton, MA, which focused on secure online educational testing technology, from 2007 until its sale in late 2016. He has served on the Board of Directors of Codman Academy Charter Public School in Boston MA since 2012. The qualifications of Mr. Holden to serve on the Board of the Company include his substantial senior executive management experience of large complex companies in the educational markets. In particular, as a result of his experience with School Specialty Inc., then a \$650 million publicly held reseller of educational products, Mr. Holden has broad knowledge of educational markets and operational matters relating to developmental strategy, finance, marketing, sales, technology, sourcing, pricing and distribution.

**Susan H. Murphy** has served as Director since 2003. Vice President Emerita, Cornell University, from which Dr. Murphy retired in 2016 after a 38-year career, commencing in 1978. She served as Dean of Admissions and Financial Aid from 1985 to 1994; Vice President of Student and Academic Services from 1994 to June 2015, and thereafter she worked in Alumni Affairs and Development until her retirement. In 2013, Dr. Murphy became a member of the Board of Trustees of Adelphi University, and, since July 2016, has served as Vice Chair of its Board of Trustees. She also serves on the Board of Directors for Kendal at Ithaca, a not-for-profit continuing care retirement community (since 2014 and Vice Chair since 2019); Tompkins County Community Foundation (since January 2015 and Chair of the Board of Directors, 2018-2019), and Let's Get Ready, an organization which provides low-income high school students with support services to help them gain admission to and graduate from college (2016-2019). Dr. Murphy received a Ph.D. in Educational Administration from Cornell University. Dr. Murphy has broad senior management level experience in a large, complex organization. In particular, her experience in employee compensation matters and the development and implementation of diversity policies is helpful to the Company.

**Brian K. Barker** has been a founder and CEO of AntelopeAI, LLC an artificial intelligence and machine learning start-up since December 2018. He was a founder, director, and CEO of NorthBay Solutions, LLC, a big data and analytics company from 2010 to 2018, and continues to serve as a director. Mr. Barker was the General Manager of the xDoc business unit for Document Sciences Corporation, a document management and customer communications management solutions company, from 2007 until it was acquired by EMC Corporation, an information infrastructure solutions company, in 2008, and then continued as General Manager of the xDoc Business Unit until 2010. He previously was CEO of Cambridge Technology Vision, LLC, a merger and acquisition support software company, from 1997 to 2001, and was President of ClearSpring Technologies, Inc., an event-driven management software company, from 1989 to 1992. Mr. Barker is the co-inventor of Acquisition Trustee, which Intralinks Holdings, Inc. acquired to incorporate in its platform for secure document sharing. The qualifications of Mr. Barker to serve on the Board include his strong data analysis background, significant entrepreneurial achievements, and executive management experience at rapidly growing information technology companies.

**Stevenson E. Ward III** has served as Director since 2001. Mr. Ward served as Vice President and Chief Financial Officer of Triton Thalassic Technologies, Inc. from 2000 until his retirement in 2014. Triton's technology controls and inactivates pathogens in the healthcare and industrial industries. From 1998 through 2000, Mr. Ward served as Senior Vice President-Administration of Sanofi-Synthelabo, Inc., a major multinational pharmaceutical company. He served as Executive Vice President (1996-1998), responsible for legal, tax, treasury, employee benefits and other functions, and Chief Financial Officer (1994-1996) of Sanofi, Inc., the North American holding company for Sanofi. He also served as Vice President-Finance and Administration, Pharmaceutical Group, Sterling Winthrop, Inc. (1992-1994). Prior to joining Sterling, he was employed by General Electric Company in management positions in Purchasing, Corporate Audit and Finance. Mr. Ward's qualifications for service on the Board include his extensive experience in senior executive level positions in finance, corporate audit and administration at two Fortune 100 multinational corporations. He also holds a Masters in Business Administration (MBA) degree.

#### *Code of Conduct*

The Company has adopted a Code of Conduct that is applicable to its employees, including the Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct is available in the investor relations section on the Company's website at [www.acmeunited.com](http://www.acmeunited.com).

If the Company makes any substantive amendments to the Code of Conduct which apply to its Chief Executive Officer, Chief Financial Officer or Controller, or grants any waiver, including any implicit waiver, from a provision of the Code of Conduct to the Company's executive officers, the Company will disclose the nature of the amendment or waiver on its website.

Information regarding compliance with Section 16(a) beneficial ownership reporting requirements and certain corporate governance matters is incorporated herein by reference to the sections entitled (i) "Compliance with Section 16(a) of the Securities Exchange Act of 1934", (ii) "Nominations for Directors", and (iii) "Audit Committee" contained in the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2020 Annual Meeting of Shareholders.

#### **Item 11. Executive Compensation**

Information with respect to executive compensation is incorporated herein by reference to the section entitled "Executive Compensation" contained in the Company's Proxy Statement to be filed with the SEC in connection with the Company's 2020 Annual Meeting of Shareholders.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management**

Information regarding security ownership of certain beneficial owners, directors and executive officers is incorporated herein by reference to the information in the section entitled "Security Ownership of Directors and Officers" contained in the Company's Proxy Statement to be filed with the SEC in connection with its 2020 Annual Meeting of Shareholders.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information regarding certain relationships and related transactions is incorporated herein by reference to the information in the section entitled “Certain Relationships and Related Transactions” contained in the Company’s Proxy Statement to be filed with the SEC in connection with its 2020 Annual Meeting of Shareholders.

Information regarding director independence is incorporated herein by reference to the section entitled “Independence Determinations” contained in the Company’s Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company’s 2020 Annual Meeting of Shareholders.

**Item 14. Principal Accounting Fees and Services**

Information regarding principal accountant fees and services is incorporated herein by reference to the section entitled “Fees to Auditors” contained in the Company’s Proxy Statement to be filed with the SEC in connection with its 2020 Annual Meeting of Shareholders.



## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statements of Changes in Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

(a)(2) Financial Statement Schedules

- Schedules other than those listed above have been omitted because of the absence of conditions under which they are required or because the required information is presented in the financial statements or notes thereto.

(a)(3) The exhibits listed under Item 15(b) are filed or incorporated by reference herein.

(b) Exhibits.

The exhibits listed below are filed as part of this Annual Report on Form 10-K. Certain of the exhibits, as indicated, have been previously filed and are incorporated herein by reference.

<u>Exhibit No.</u>	<u>Identification of Exhibit</u>
3(i)	<a href="#">Re-Styled Certificate of Incorporation July 1, 2005 (2)</a>
3(ii)	<a href="#">Bylaws (4)</a>
4	Specimen of Common Stock certificate (18) (p)
4(vi)	<a href="#">Description of Common Stock</a>
10.3	<a href="#">2002 Acme United Employee Stock Option Plan as amended (12)</a>
10.4	<a href="#">Severance Pay Plan dated September 28, 2004* (15)</a>
10.5(a)	<a href="#">Salary Continuation Plan dated September 28, 2004, as amended (3)*</a>
10.6(a)	<a href="#">2005 Non-Salaried Director Stock Option Plan, amended (6)</a>
10.6(b)	<a href="#">Amendment to the 2005 Non-Salaried Director Stock Option Plan (12)</a>
10.7	<a href="#">2017 Non-Salaried Director Stock Option Plan (9)</a>
10.8	<a href="#">Deferred Compensation Plan dated October 2, 2007* (16)</a>
10.9(a)	<a href="#">2012 Acme United Employee Stock Option Plan (11)</a>
10.9(b)	<a href="#">Amendment to the 2012 Acme United Employee Stock Option Plan* (12)</a>
10.10(a)	<a href="#">Revolving Loan Agreement with HSBC, dated April 5, 2012 (13)</a>
10.10(b)	<a href="#">Amendment No. 1 to Revolving Loan Agreement with HSBC Dated (14)</a>
10.10(c)	<a href="#">Amended and restated secured revolving note (14)</a>
10.10(d)	<a href="#">Amendment No. 2 to Revolving Loan Agreement with HSBC dated October 2013 (15)</a>
10.10(e)	<a href="#">Amendment No. 4 to Revolving Loan Agreement with HSBC dated May 6, 2016 (12)</a>
10.10(f)	<a href="#">Second amended and restated secured revolving note (12)</a>
10.10(g)	<a href="#">Amendment No. 5 to Revolving Loan Agreement with HSBC dated January 2017 (16)</a>
10.10(h)	<a href="#">Amendment No. 6 to Revolving Loan Agreement with HSBC dated March 2018</a>
10.11	<a href="#">Change in Control Plan as amended dated February 24, 2011* (17)</a>
21	<a href="#">Subsidiaries of the Registrant</a>
23.1	<a href="#">Consent of Marcum LLP, Independent Registered Public Accounting Firm</a>

- 31.1 [Certification of Walter Johnsen pursuant to Rule 13a-14\(a\) and 15d-14\(a\) and Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Paul Driscoll pursuant to Rule 13a-14\(a\) and 15d-14\(a\) and Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Walter Johnsen pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Paul Driscoll pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

---

\* Indicates a management contract or a compensatory plan or arrangement

- (1) Previously filed as an Exhibit to the Company's Form 8-K/A filed on August 19, 2014.
- (2) Previously filed in the Company's Form 8-K filed on July 8, 2005.
- (3) Previously filed in the Company's Form 8-K filed on February 9, 2005.
- (4) Previously filed in the Company's Form 8-K filed on March 3, 2006.
- (5) Previously filed in the Company's Proxy Statement for the 2005 Annual Meeting of Shareholders.
- (6) Previously filed in the Company's Proxy Statement filed on March 29, 2005. This plan expired in 2015.
- (7) Previously filed in the Company's Form 8-K filed on December 21, 2010.
- (8) Previously filed as an exhibit to the Company's Form 10-K filed on March 17, 2005.
- (9) Previously filed as an exhibit to the Company's Proxy Statement filed on March 22, 2017.
- (10) Previously filed as an exhibit to the Company's Form 10-K filed on March 12, 2008.
- (11) Previously filed as an exhibit to the Company's Form 10-Q filed on August 14, 2012.
- (12) Previously filed as an exhibit to the Company's Form 10-Q filed on May 13, 2016.
- (13) Previously filed as an exhibit to the Company's Form 10-Q filed on May 14, 2012.
- (14) Previously filed as an exhibit to the Company's Form 10-Q filed on May 10, 2013.
- (15) Previously filed as an exhibit to the Company's Form 10-K filed on March 6, 2014.
- (16) Previously filed as an exhibit to the Company's Form 10-Q filed on August 4, 2017.
- (17) Previously filed as an exhibit to the Company's Form 10-K filed on March 11, 2011.
- (18) Previously filed as an exhibit to the Company's Form 10-K filed in 1971.

#### **Item 16. Form 10-K Summary**

Not applicable.

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, on March 13, 2020.

**ACME UNITED CORPORATION**  
(Registrant)

**Signatures:**

**Titles:**

/s/ Walter C. Johnsen

Walter C. Johnsen

Chairman and Chief Executive Officer

/s/ Brian S. Olschan

Brian S. Olschan

President, Chief Operating Officer and Director

/s/ Paul G. Driscoll

Paul G. Driscoll

Vice President, Chief Financial Officer, Secretary and Treasurer

/s/ Rex Davidson

Rex Davidson

Director

/s/ Richmond Y. Holden, Jr.

Richmond Y. Holden, Jr.

Director

/s/ Susan H. Murphy

Susan H. Murphy

Director

/s/ Stevenson E. Ward III

Stevenson E. Ward III

Director

/s/ Brian K. Barker

Brian K. Barker

Director

**DESCRIPTION OF COMMON STOCK**

The authorized capital stock of the Company consists solely of the Company's common stock. Set forth below is a description of the common stock of the Company. The description is intended to be a summary and is subject to, and is qualified in its entirety by reference to, the provisions of the Company's Certificate of Incorporation, as amended ("Restated Certificate of Incorporation"), and Amended and Restated Bylaws ("By-laws"), and Title 33 "Corporations," of the Connecticut General Statutes. Copies of our Restated Certificate of Incorporation and By-laws appear as exhibits to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

**Authorized Capital Stock**

The Company's Restated Certificate of Incorporation provides that the Company has authority to issue 8,000,000 shares of common stock, par value \$2.50 per share. Each share of common stock has the same rights as, and is identical in all respects to, each other share of common stock. On March 6, 2020, there were 3,352,130 shares of common stock issued and outstanding.

**Voting Rights**

Holders of Company's common stock are entitled to one vote per share held of record on all matters submitted to a vote of shareholders. Our shareholders do not have cumulative voting rights in the election of directors.

**Dividend Rights**

Subject to certain limitations set forth in the Connecticut General Statutes, the holders of common stock are entitled to such dividends and distributions, whether payable in cash or property, as may be declared from time to time by our Board of Directors from legally available funds.

**Liquidation Rights**

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of common stock will be entitled to share ratably in any of the Company's assets available for distribution after the payment in full of all debts and liabilities of the Company.

**Preemptive and Other Rights**

The holders of common stock are not entitled to preemptive, subscription, redemption or sinking fund rights. Shares of common stock are not convertible into shares of any other class of capital stock.

---

**Fully Paid Shares**

All of the outstanding shares of common stock are fully paid and nonassessable.

**Transfer Agent**

The transfer agent and registrar for the Company's common stock is American Stock Transfer & Trust Company.

**Listing**

The common stock is traded on the NYSE American under the trading symbol "ACU."

**PARENTS AND SUBSIDIARIES**

The Company was organized as a partnership in 1867 and incorporated in 1882 under the laws of the State of Connecticut as The Acme Shear Company. The corporate name was changed to Acme United Corporation in 1971.

There is no parent of the registrant.

Registrant has the following subsidiaries, all of which are wholly owned by the registrant:

<b>Name</b>	<b>Country of Incorporation</b>
Acme United Limited	Canada
Acme United Europe GmbH	Germany
Acme United (Asia Pacific) Limited	Hong Kong
Acme United China Limited	China
Acme United Netherlands Cooperatie U.A.	Netherlands

All subsidiaries are active and included in the Company's consolidated financial statements included in this Form 10-K.

**EXHIBIT 23.1****Consent of Marcum LLP, Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement of Acme United Corporation on Form S-8 (File Nos. 333-227147, 333-220282, 333-206440, 333-198220, 333-190623, 333-183351, 333-176314, 333-168801, 333-161392, 333-145516, 333-126478, 333-70348, 333-70346, 333-84505, 333-84509, 333-84499, 333-26739 and 333-26737) of our reports dated March 12, 2020, with respect to our audits of the consolidated financial statements of Acme United Corporation and Subsidiaries as of December 31, 2019 and 2018 and for the years then ended and our report dated March 12, 2020 with respect to our audit of the effectiveness of internal control over financial reporting of Acme United Corporation and Subsidiaries as of December 31, 2019, which reports are included in this Annual Report on Form 10-K of Acme United Corporation for the year ended December 31, 2019.

/s/ Marcum LLP

Marcum LLP  
New Haven, Connecticut  
March 13, 2020

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Acme United Corporation (the "Company") hereby certifies to my knowledge that the Company's annual report on Form 10-K for the annual period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or "filed" for any purpose whatsoever.

By \_\_\_\_\_ /s/ WALTER C. JOHNSEN  
Walter C. Johnsen  
Chairman and  
Chief Executive Officer

Dated: March 13, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Acme United Corporation (the "Company") hereby certifies to my knowledge that the Company's annual report on Form 10-K for the annual period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or "filed" for any purpose whatsoever.

By \_\_\_\_\_ /s/ PAUL G. DRISCOLL  
Paul G. Driscoll  
Vice President and  
Chief Financial Officer

Dated: March 13, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, WALTER C. JOHNSEN, certify that:

1. I have reviewed this annual report on Form 10-K of Acme United Corporation;
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(s) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

By

/s/ WALTER C. JOHNSEN

\_\_\_\_\_  
Walter C. Johnsen  
Chairman and  
Chief Executive Officer

Dated: March 13, 2020

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, PAUL G. DRISCOLL, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acme United Corporation;
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(s) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

By \_\_\_\_\_  
/s/ PAUL G. DRISCOLL  
Paul G. Driscoll  
Vice President and  
Chief Financial Officer

Dated: March 13, 2020