REFINITIV

DELTA REPORT

10-K

EML - EASTERN CO

10-K - DECEMBER 30, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2580
CHANGES	342
DELETIONS	866
ADDITIONS	1372

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year ended **December 31, 2022 30, 2023**

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 001-35383

THE EASTERN COMPANY

(Exact name of registrant as specified in its charter)

Connecticut	**06-0330020**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Enterprise Drive, Suite 408, Shelton, Connecticut	**06484**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(203) 729-2255**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	EML	NASDAQ Global Market

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated Filer 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the fi ling reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of July 2, 2022 July 1, 2023, the last day of registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by non-affiliates of the registrant was $101,241,244 $88,742,320 (based on the closing sales price of the registrant's common stock on the last trading date prior to that date). Shares of the registrant's common stock held by each officer and director and shares held in trust by the pension plans of the Company have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 15, 2023 February 15, 2024, 6,221,976 6,208,126 shares of the registrant's common stock, no par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this report is incorporated herein by reference to portions of the proxy statement for the Company's 2023 2024 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 2022 December 30, 2023.

The Eastern Company

Form 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022 30, 2023

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

Statements contained in this Annual Report on Form 10-K of The Eastern Company (together with its consolidated subsidiaries, unless otherwise specified or suggested by the context, the “Company,” “Eastern,” “we,” “us,” or “our”) that are not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as “would,” “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intend,” “continue,” “plan,” “potential,” “opportunities,” or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company’s business and the results of its operations and that may cause the actual results of operations in future periods to differ materially from those currently expected or anticipated. These factors include the impact of the COVID-19 pandemic and resulting economic effects, including supply chain disruptions, cost inflation, rising interest rates, include:

- the impact of higher raw material and component costs and cost inflation, supply chain disruptions and shortages, particularly with respect to steel, plastics, scrap iron, zinc, copper, and electronic components;
- delays in delivery of our products to our customers;
- the impact of global economic conditions and rising interest rates, and more specifically conditions in the automotive, construction, aerospace, energy, oil and gas, transportation, electronic, and general industrial markets, including the impact, length and degree of economic downturns on the customers and markets we serve and demand for our products, reductions in production levels, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, the potential impact of bank failures on our ability to access financing or capital markets, and the impact of market conditions on pension plan funded status;
- restrictions on operating flexibility imposed by the agreement governing our credit facility;
- risks associated with doing business overseas, including fluctuations in exchange rates and the inability to repatriate foreign cash, the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs and the impact of political, economic, and social instability;
- the inability to achieve the savings expected from global sourcing of materials;
- lower-cost competition;
- our ability to design, introduce and sell new or updated products and related components;
- market acceptance of our products;
- the inability to attain expected benefits from acquisitions or the inability to effectively integrate acquired businesses and achieve expected synergies;
- costs and liabilities associated with environmental compliance;
- the impact of climate change, natural disasters, geopolitical events, and public health crises, including pandemics (such as COVID-19) and epidemics, and any related Company or government policies or actions;
- military conflict (including the Russia/Ukraine conflict, the conflict in Israel and surrounding areas, the possible expansion of such conflicts and geopolitical consequences) or terrorist threats and the possible responses by the U.S. and foreign governments;
- failure to protect our intellectual property;
- cyberattacks; and
- materially adverse or unanticipated legal judgments, fines, penalties, or settlements.

The Company is also subject to our customers, impact on demand for our products, reductions in production levels, increased costs, including costs of raw materials, the impact on global economic conditions, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, and the impact of market conditions on pension plan funded status. Other factors include, but are not limited to: restrictions on operating flexibility imposed by the agreement governing our credit facility; the effect on interest rates of the replacement of the London Interbank Offered Rate (LIBOR) with a Secured Overnight Financing Rate (SOFR); risks associated with doing business overseas, including fluctuations in exchange rates and the inability to repatriate foreign cash, the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs and the impact of political, economic and social instability; the inability to achieve the savings expected from global sourcing of materials; the impact of higher raw material and component costs, including the impact of supply chain shortages and inflation, particularly steel, plastics, scrap iron, zinc, copper and electronic components; lower-cost competition; our ability to design, introduce and sell new or updated products and related components; market acceptance of our products; the inability to attain expected benefits from acquisitions or the inability to effectively integrate such acquisitions and achieve expected synergies; domestic and international economic conditions, including the impact, length and degree of economic downturns on the customers and markets we serve and more specifically conditions in the automotive, construction, aerospace, energy, oil and gas, transportation, electronic, and general industrial markets; costs and liabilities associated with environmental compliance; the impact of climate change or terrorist threats and the possible responses by the U.S. and foreign governments; failure to protect our intellectual property; cyberattacks; materially adverse or unanticipated legal judgments, fines, penalties or settlements; and other risks identified and discussed in Item 1A, *Risk Factors*, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of this Form 10-K and that may be identified from time to time in our quarterly reports on Form 10-Q, current reports on Form 8-K and other filings we make with the Securities and Exchange Commission (the "SEC"). Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted and the Company may alter its business strategies to address changing conditions. Also, the Company makes estimates and assumptions that may materially affect reported amounts and disclosures. These relate to valuation allowances for accounts receivable and excess and obsolete inventories, accruals for pensions and other postretirement benefits (including forecasted future cost increases and returns on plan assets), provisions for depreciation (estimating useful lives), uncertain tax positions, and, on occasion, accruals for contingent losses. The Company undertakes no obligation to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result because of new information, future events, or otherwise, except as required by law.

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PART I

ITEM 1 BUSINESS

General Development of Business

The Eastern Company was incorporated under the laws of the State of Connecticut in October 1912, succeeding a co-partnership established in October 1858. The businesses of the Company design, manufacture and sell unique engineered solutions for industrial markets.

Today, the Company maintains 17 fifteen physical locations across North America Europe, and Asia.

BUSINESS HIGHLIGHTS

On June 29, 2023, the Company acquired certain assets of Sureflex, Inc. ("Sureflex"). Sureflex, which manufactures tractor-trailer electrical connection cable assemblies, is part of Eastern's Velvac subsidiary.

On May 1, 2023, the Company announced plans to close Associated Toolmakers, Limited, its European mold tooling service facility based in the U.K. The closure was completed in the second quarter of 2023.

On October 19, 2022, the Company sold its Argo EMS business ("Argo"). Argo supplies supplied printed circuit boards and other electronic assemblies to original equipment manufacturers in various industries, including measurement systems, semiconductor equipment manufacturing, and industrial control, medical, and military products.

On November 3, 2021, the Company sold its Greenwald Industries division ("Greenwald"). Greenwald is an original equipment manufacturer ("OEM") offering a range of payment solutions from coin-vending products to smart card systems and payment applications.

On November 22, 2021, the Company sold its Frazer & Jones Company division ("Frazer & Jones"). Frazer & Jones is a high quality ductile and malleable iron foundry located in Syracuse, NY.

In the second fiscal quarter of 2021 the Company determined that the companies included in its Diversified Products segment, including Argo, Greenwald, and Frazer & Jones, no longer fit with our long-term strategy and met the criteria to be treated as held for sale, and that the assets held for sale qualify for discontinued operations.

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Description of Business

The Eastern Company manages industrial businesses that design, manufacture and sell unique engineered solutions to industrial markets. We believe Eastern's businesses operate in industries with long-term macroeconomic growth opportunities.

Eastern manages the financial, operational, and strategic performance of its businesses to increase cash generation, operating earnings, and long-term shareholder value. Among other things, Eastern monitors the financial and operational performance of each of its businesses and instills consistent financial discipline. Eastern's management analyzes and pursues prudent organic growth strategies and works to execute attractive external growth and acquisition opportunities.

In addition, Eastern recruits and retains talented managers to operate its businesses. We look for leaders who are accountable, maintain cost discipline, act quickly, and build strong followership.

The Eastern Company has one reportable segment: Engineered Solutions. The Engineered Solutions segment provides engineered solutions to support our customers' needs primarily in the commercial transportation and logistics markets. The Chief Operating Decision Maker (CODM) uses both segment gross profit and segment profit or loss from operations before interest and income taxes to allocate resources (including employees, property, and financial or capital resources) for the Engineered Solutions segment predominantly in the annual budget and forecasting process.

Company Operations

The Company's operations consist Engineered Solutions segment consists of Big 3 Precision, including Big 3 Precision Products Inc. ("Big 3 Products") and Big 3 Mold Services, Inc. ("Big 3 Mold"), and Hallink Moulds, Inc. ("Hallink Moulds" or "Hallink"), and Associated Toolmakers Ltd. ("Associated Toolmakers"); Eberhard Manufacturing Company ("Eberhard Manufacturing"), Eastern Industrial Ltd, World Lock Company Ltd., Dongguan Reeworld Security Products Ltd., and World Security Industries (together, "Eberhard"); and Velvac Holdings Inc. ("Velvac"). These businesses design, manufacture, and market a diverse product line of custom and standard vehicular and industrial hardware, including turnkey returnable packaging solutions, access and security hardware, mirrors, and mirror-cameras.

Big 3 Products and Big 3 Mold's turnkey returnable packaging solutions are used in the assembly processes of vehicles, aircraft, and durable goods and in the production processes of plastic packaging products, packaged consumer goods and pharmaceuticals. Big 3 Products works with leading OEMs to design and produce custom returnable transport packaging to integrate with OEM assembly processes. Big 3 Mold is a global leader in the design and manufacture of blow mold tools. Hallink Moulds is a leader in innovative injection blow mold tooling and is a leading supplier of blow molds and change parts to the food, beverage, healthcare, and chemical industry. industries. Hallink specializes in the design, development and manufacture of 2-step stretch blow molds, and related components for the stretch blow molding industry offering integrated turnkey solutions to its customers worldwide.

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Eberhard, a global leader in the engineering and manufacturing of access and security hardware, offers a standard product line of rotary latches, compression latches, draw latches, hinges, camlocks, key switches, padlocks, and handles, among other products, as well as comprehensive development and program management services for custom electromechanical and mechanical systems designed for specific OEMs and customer applications. Eberhard's products are found in an expansive range of applications and products globally.

Velvac is a designer and manufacturer of proprietary vision technology for OEMs and aftermarket applications, and a leading provider of aftermarket components to the heavy-duty truck market in North America. Velvac serves diverse, niche segments within the heavy- and medium-duty truck, motorhome, and bus markets.

Human Capital

We believe our success depends on the skills, experience, and industry knowledge of our key talent. As such, our management team places significant focus and attention on the attraction, development, and retention of employees, as well as ensuring our corporate culture reflects Eastern's values, and our Board of Directors (our "Board") provides oversight for various employee initiatives. Eastern values and our Code of Business Conduct and Ethics guide our actions, reflect our culture, and drive our performance. We have made and continue to make investments in training, and we have a well-established performance management process.

An engaged, innovative, skilled, and collaborative workforce is critical to our continued leadership in the design and manufacture of unique engineered solutions to industrial markets. We operate globally under policies and programs that provide competitive wages, benefits, and terms of employment. We are committed to efforts to increase diversity and foster an inclusive work environment that supports our global workforce through recruiting efforts and equitable compensation policies.

The health and safety of our employees is also a top priority. Our focus on the reduction of injuries and illnesses has significantly improved our safety performance. We have attained these improvements by fostering a global safety culture supported with regular training and education that includes robust systems and philosophies centered on personal responsibility and accountability. The Board established an Environment, Health, and Safety Committee in 2019. This committee is responsible for reviewing the overall performance of the Company's health and safety program and making recommendations to management. There is a high level of leadership engagement, ensuring installation and maintenance of appropriate safety equipment at all our manufacturing sites worldwide combined with vigorous reviews of root causation and systemic corrective actions of any safety incidents that may occur.

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In response to the emergence of COVID-19 in early 2020, we implemented a proactive internal procedure and complied with local, federal, and international governmental guidance that has enabled us to operate safely.

Each of our facilities continues to adhere to such guidance as it has evolved, and we have also adjusted our remote worker safety procedures to ensure that remote employees are better integrated into our safety and health systems.

Employee levels are managed to align with business demand and management believes it currently has sufficient human capital to operate its business successfully. As of December 31, 2022 December 30, 2023, we employed 1,191 1,199 full-time employees: 607 614 in the United States and 584 585 in other countries. Approximately 24% 21% of employees in the United States are represented by collective bargaining agreements. We believe that our relations with employees, unions and works' councils are in good standing.

General

Patent and trademark protection for the various product lines of the Company is limited, but the Company believes the current patents and trademark protection is sufficient to protect the Company's competitive positions. Patent durations are from 1 to 20 years. No business operation is dependent on any patent, nor would the loss of any patent have any material adverse effect on the Company's business.

During the second fiscal quarter of 2021, the Company announced plans to sell the companies included in our Diversified Products segment, these assets met the criteria to be treated as held for sale and reported as discontinued operations. Subsequently, in the fourth quarter of fiscal 2021, the Company sold Greenwald and Frazer & Jones. In the fourth quarter of 2022, the Company sold Argo.

The Company's businesses are not subject to seasonal variations.

Customers of the Company are broad-based by geography and by market, and sales are not highly concentrated by customer. Only one customer exceeded 10% of accounts receivable for each of fiscal 2022 2023 and 2021. fiscal 2022. Foreign sales were not significant for the fiscal years 2022 2023 and 2021. 2022.

The Company encounters competition in its businesses. business. Imports from Asia and Latin America with favorable currency exchange rates and low-cost labor have created additional pricing pressure. The Company competes successfully by offering high-quality, custom engineered products on a timely basis. To compete, the Company deploys internal engineering resources, maintains cost effective manufacturing capabilities through its wholly owned Asian subsidiaries, expands its product lines through product development and acquisitions, and maintains sufficient inventory for fast turnaround of customer orders.

The Company does not anticipate that compliance with federal, state, or local environmental laws or regulations is likely to have a material effect on the Company's capital expenditures, earnings, or competitive position.

The Company obtains materials from nonaffiliated domestic sources, as well as from Company-affiliated and unaffiliated sources in Asia. Availability and prices of raw materials and outside services were affected by measures taken in response to the COVID-19 pandemic, as well as by global trade restrictions, for some of the Company's businesses during 2022. We expect raw Raw materials and outside services to be were more readily available in 2023 unless resurgence of the COVID-19 pandemic occurs or trade restrictions continue, but prices may remain elevated or increase further. 2023.

The Company's ratio of working capital (current assets less current liabilities) to sales was 25.6% in 2023 and 26.1% in 2022 and 27.2% in 2021. 2022. Working capital includes cash held in various foreign subsidiaries. Other factors affecting working capital include our average days' sales in accounts receivable, inventory turnover ratio and payment of vendor accounts payable. In some cases, the company must hold extra inventory due to extended lead time in receiving products ordered from our foreign subsidiaries to ensure the product is available for our customers. The Company continues to monitor working capital needs with the goal of reducing our ratio of working capital to sales.

Available Information

The Company makes available, free of charge through its Internet website at http://www.easterncompany.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information posted on the Company's website is not incorporated into this Form 10-K and is not part of this Form-10K. The Company's reports filed with, or furnished to, the SEC are also available on the SEC's website at www.sec.gov. www.sec.gov.

ITEM 1A RISK FACTORS

The Company's business is subject to a variety of risks and uncertainties, including, without limitation, the risks and uncertainties described below. In addition to the other information contained in this Form 10-K and the Company's other filings with the SEC, these risk factors should be considered carefully in evaluating the Company's business. If any of these risks, or any risks not presently known to the Company or currently deemed immaterial by the Company, materialize, the Company's business, reputation, stock price, financial condition or results of operations could be materially adversely affected, and the Company may not be able to achieve its goals or expectations.

This section should be read in conjunction with Part II, Item 7, "Management's "*Management's Discussion and Analysis of Financial Condition and Results of Operations" Operations*" and the consolidated financial statements and accompanying notes in Item 8, *Financial Statements and Supplementary Data* of this Form 10-K.

Risks Related to Our Business

Our financial and operating performance has been and may continue to be adversely affected by COVID-19 pandemic and the resulting economic conditions, including inflation, rising interest rates, and potential recessionary pressures, and may be adversely affected by future developments with respect to this or another epidemic.

As a result of the COVID-19 pandemic and its impact on economic conditions, the Company has experienced and could continue to experience disruptions to its business, its operations, the delivery of its products and customer demand for its products, including the following:

- The broader economic impact of the COVID-19 pandemic, including resurgences, may continue to result in unfavorable operating earnings and cash flow generation in the months to follow. Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in economic slowdowns that have caused and are likely to continue to cause contractions in some or all the markets we serve. This has led to and may continue to lead to decreased demand for the Company's products, which in turn has negatively impacted, and may continue to negatively impact, the Company's financial condition and operating results. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, and overall economic slowdowns could reduce the Company's sales or erode operating margin, in either case reducing earnings. In addition, volatile global economic conditions may cause foreign exchange rate fluctuations, which could result in increases or decreases in earnings and may adversely affect the value of the Company's assets outside the United States. Increased pricing in response to fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on demand for the Company's products, which would affect sales and profits. Exchange rate fluctuations could also increase pricing pressure and impair the ability of the Company's products to compete with products imported from regions with favorable exchange rates.

- Supply shortages and supply chain disruptions originally triggered by shutdowns and other restrictions imposed to slow the spread and resurgence of COVID-19 have impacted and may continue to impact the prices and availability of certain of the raw materials and components used in the production of the Company's products, which could impair the Company's ability to procure the required raw materials and components for its operations or increase the cost of manufacturing its products. The Company may be unable to pass increases in the cost of raw materials and components on to its customers and could experience reductions to its profit margins. Also, any decrease in the availability of raw materials and components could impair the Company's ability to meet production requirements in a timely manner or at all.

- The economic downturn has resulted and could continue to result in the carrying value of goodwill or other intangible assets exceeding their fair value, which has required and could continue to require the Company to recognize asset impairment.

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- To the extent the Company draws under the revolving portion of the Credit Agreement, debt of the Company would increase. Such an increase in indebtedness could adversely affect the Company's financial results or ability to incur additional debt and could negatively impact credit ratings. The continuing economic impact of the COVID-19 pandemic, including any resurgences, could also negatively impact the Company's compliance with the financial covenants under the Credit Agreement or the interest rate of borrowings under the Credit Agreement. In addition, as a result of the risks described above, the Company may in the future be required to raise additional debt or equity financing, and the availability, terms and cost of such financing would depend on, among other things, global economic conditions, conditions in the global financing markets, trading prices of the Company's common stock, the credit ratings of the Company, and the outlook for the industries in which the Company operates, all of which could be negatively impacted by the COVID-19 pandemic, including the extent of any resurgences, and related economic effects, including inflation, rising interest rates, and potential recessionary pressures. There can be no assurance that such financing would be available on acceptable terms, in sufficient quantities, or at all.

- Pension plan funded status, the ratio of plan assets over plan liabilities, is largely influenced by current market conditions. To the extent asset returns and interest rates, which are used to discount future plan benefits, change from prior measurement periods, the plan's funded ratio has the potential to change significantly.

Any of the foregoing effects of the COVID-19 pandemic and resulting economic conditions, if it persists, worsens or recurs, or the future occurrence of any other epidemic, could have a material adverse effect on the Company's business, financial condition and results of operations.

Indebtedness may affect our business and may restrict our operating flexibility.

As of December 31, 2022, the Company had $64,147,000 in total consolidated indebtedness. Subject to restrictions contained in the Credit Agreement, the Company may incur additional indebtedness in the future, including indebtedness incurred to finance acquisitions. The level of indebtedness and servicing costs associated with that indebtedness could have important effects on our operation and business strategy. For example, the indebtedness could:

- Place the Company at a competitive disadvantage relative to the Company's competitors, some of which have lower debt service obligations and greater financial resources;
- Limit the Company's ability to borrow additional funds;
- Limit the Company's ability to complete future acquisitions;
- Limit the Company's ability to pay dividends;
- Limit the Company's ability to make capital expenditures; and
- Increase the Company's vulnerability to general adverse economic and industry conditions.

The Company's ability to make scheduled principal payments, to pay interest on, or to refinance our indebtedness and to satisfy other debt obligations will depend upon future operating performance, which may be affected by factors beyond the Company's control. In addition, there can be no assurance that future borrowings or the issuance of equity would be available to the Company on favorable terms for the payment or refinancing of the Company's debt. If the Company were unable to service its indebtedness, the business, financial condition, and results of operation would be materially adversely affected.

The Credit Agreement contains covenants requiring the Company to achieve certain financial and operations results and maintain compliance with specified financial ratios. The Company's ability to meet the financial covenants or requirements in the Credit Agreement may be affected by events beyond our control, and the Company may not be able to satisfy such covenants and requirements.

The Credit Agreement also contains a number of restrictive covenants that could adversely affect the Company's ability to operate its business. These covenants restrict, among other things, the Company's ability to:

- Merge with or into another company or sell assets;
- Grant liens;
- Incur additional indebtedness;
- Make investments or guarantee indebtedness of another person or entity;
- Pay dividends, make distributions or repurchase equity;
- Engage in certain transactions with affiliates; and
- Make certain changes to the Company's business.

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A breach of these covenants or the Company's inability to comply with the financial ratios, tests or other restrictions contained in our Credit Agreement could result in an event of default under the Credit Agreement. Upon the occurrence of an event of default under the Credit Agreement and/or the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under our credit facility, together with accrued interest, to be immediately due and payable. If this were to occur, the Company's assets may not be sufficient to fully repay the amounts due under our credit facility or the Company's other indebtedness.

The phaseout of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with a different reference rate such as SOFR, may adversely affect interest rates.

Central banks around the world, including the FRB, are working to implement the transition from the London Interbank Offered Rate ("LIBOR") to replacement benchmarks including the Secured Overnight Financing Rate ("SOFR") in the United States. The ICE Benchmark Administration (the "IBA") ceased publication of all settings of non-US dollar LIBOR and the one-week and two-month U.S. dollar LIBOR settings on December 31, 2021, with the publication of the remaining U.S. dollar LIBOR settings scheduled to be discontinued after June 30, 2023. The Adjustable Interest Rate Act (the "LIBOR Act"), which was signed into law on March 15, 2022, provided a replacement framework for outstanding financial contracts tied to LIBOR once LIBOR ceases to be published. The LIBOR Act provides a statutory mechanism and safe harbor that applies on a nationwide basis to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The LIBOR Act preempts and supersedes any state or local law, statute, rule, regulation, or standard relating to the selection or use of a benchmark replacement or related changes and allows parties that already have effective fallback provisions to opt out of the legislation. On December 16, 2022, the Federal Reserve adopted a final rule implementing the LIBOR

Act that, among other things, identifies the applicable SOFR-based benchmark replacements under the LIBOR Act for various contact types. The difference between LIBOR and SOFR is that LIBOR is a forward-looking rate which means the interest rate is set at the beginning of the period with payment due at the end. SOFR is a backward-looking overnight rate which has implications for how interest and other payments are based. The change from LIBOR to SOFR may adversely affect interest rates and result in higher borrowing costs. The effect of this change is still unknown and could materially and adversely affect the Company's results of operations, cash flows and liquidity.

Risks Related to Competition and Global Operations

The Company's business is subject to risks associated with conducting business overseas.

International operations have been and could in the future be adversely affected by changes in political and economic conditions, trade protection measures, restrictions on repatriation of earnings, differing intellectual property rights and changes in regulatory requirements that restrict the sales of products or increase costs. Changes in exchange rates between the U.S. dollar and foreign currencies could result in increases or decreases in earnings and may adversely affect the value of the Company's assets outside the United States. Increased pricing in response to fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on demand for the Company's products, which would affect sales and profits. Some of the Company's competitors import products from Asia and Latin America that benefit from favorable currency exchange rates and lower cost labor, which has created downward pricing pressure with respect to the Company's products that is likely to continue. Exchange rate fluctuations have at times and could in the future exacerbate this pricing pressure and impair the ability of the Company's products to compete with products imported from regions with favorable exchange rates.

The Company's operations are also subject to the effects of international trade agreements and regulations. These trade agreements could impose requirements that adversely affect the Company's business, such as, but not limited to, setting quotas on products that may be imported from a particular country into the Company's key markets in North America.

The Company's ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the United States or other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Company's business, financial conditions, or results of operations.

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In addition, the Company's growth strategy involves expanding sales of its products into foreign markets. There is no guarantee that the Company's products will be accepted by foreign customers or how long it may take to develop sales of the Company's products in these foreign markets.

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Supply chain disruptions, delays in production, and forecast inaccuracies have affected and could continue to affect our ability to meet customer demand, lead to higher costs, result in excess inventory, and could have an adverse effect on our results of operations and financial condition.

Raw materials needed to manufacture the Company's products are obtained from numerous suppliers. Under normal market conditions, these raw materials are readily available on the open market from a variety of producers. However, from time to time, the prices and availability of these raw materials fluctuate due to the impact of inflation, as well as changes in existing and expected rates of inflation, which could impair the Company's ability to procure the required raw materials for its operations or increase the cost of manufacturing its products. If For example, supply shortages and supply chain disruptions originally triggered by shutdowns and other restrictions imposed to slow the price spread and resurgence of COVID-19 impacted the prices and availability of certain raw materials increases, and components used in the production of the Company's products. The Company may be unable to pass all of these price increases on to its customers and could experience reductions to in its profit margins. Additionally, any Any decrease in the availability of raw materials could impair the Company's ability to meet production requirements in a timely manner or at all. Similarly, any prolonged interruption in service by one of our key component suppliers could have a material adverse effect on our business, results of operations and financial condition. Additionally, we may not be able to establish additional or replacement suppliers for such components within a reasonable period of time, or on commercially reasonable terms, if at all, which could result in delays or interruptions in our operations, which in turn would adversely affect our business, results of operations and financial condition.

The Company faces active global competition and if it does not compete effectively, its business may suffer.

The Company encounters competition in all its business operations, and imports from Asia and Latin America with favorable currency exchange rates and low-cost labor have resulted in pricing pressure. The Company competes with other companies that offer comparable products or that produce different products appropriate for the same uses. To remain profitable and defend market share, the Company must continue to offer high quality custom engineered products on a timely basis, develop new products or update existing products to compete with new or updated products introduced by competitors, deploy internal engineering resources, maintain cost-effective manufacturing capabilities through its wholly owned Asian subsidiaries, expand its product lines through product development and acquisitions, and maintain sufficient inventory for fast turnaround of customer orders. Additionally, technological developments and enhancements of products and services offerings in our industry may require an expanded use of artificial intelligence (“AI”) and machine learning; if we are unable to keep pace with the rate of these and other developments, our ability to effectively compete could be adversely affected. We expect the level of competition to remain high in the future, which, if not effectively matched or exceeded, could limit our ability to maintain or increase our profitability. The Company may not be able to compete effectively on all these fronts and with all its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

In addition, Furthermore, the Company may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. Price reductions taken by the Company in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact the Company’s business.

Tariffs, trade sanctions and political instability may impact the availability or cost of raw materials, which could adversely affect our margins, ability to meet customer demand, business, results of operations and financial condition.

The Company obtains raw materials used in the production of its products from domestic sources, as well as from Company-affiliated and unaffiliated sources in Asia. Changes in international trade duties and other aspects of international trade policy, both in the United States and abroad, could materially impact the cost of these raw materials. For example, from March 2018 until March 2021, the United States imposed an additional 25% tariff under Section 232 of the Trade Expansion Act of 1962, as amended, on steel products imported into the United States. While these tariffs have mostly been lifted on imports from countries other than China, imports from many jurisdictions are subject to limitations on volume, after which substantial tariffs will be reimposed. The United States also imposed a 10% tariff on all aluminum imports into the United States, with initial exemptions for aluminum imported from certain U.S. trading partners. Such actions could increase steel and aluminum costs and decrease supply availability. In response to the invasion of Ukraine by the military forces of the Russian Federation, the United States, the European Union, and other jurisdictions have imposed sanctions that, among other things, prohibit the importation of a wide array of commodities and products from Russia, which is a major global supplier of nickel. Any increase in nickel, steel and/or aluminum prices that is not offset by an increase in the Company’s prices could have an adverse effect on the Company’s business, financial position, results of operations or cash flows. In addition, if the Company is unable to acquire timely nickel, steel or aluminum supplies, the Company may need to decline customer orders, which could also have an adverse effect on the business, financial position, results of operations or cash flows of the Company.

In addition to sustained increases in the cost of raw materials, the military conflict between Ukraine and Russia and the related sanctions and trade restrictions have continued to cause supply disruptions with respect to component parts for our products and resulted in higher oil and other commodity prices that have increased shipping and transportation costs. If the conflict persists or escalates, this may further disrupt global supply chains and could result in shortages of key raw materials or component parts that the Company’s suppliers require to satisfy our needs. Any increases in the cost, or shortages, of raw materials or energy may continue to create supply issues for critical materials that could constrain the Company’s manufacturing levels, which may lead to inability to meet demand for our products and could result in a loss of business and possible reduced margins for the Company if the cost increases cannot be fully offset by higher selling prices.

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Changes in competition in the markets that the Company services could impact revenues and earnings.

Any change in competition may result in lost market share or reduced prices, which could result in reduced profits and margins. This may impair the ability to grow or even maintain current levels of revenues and earnings. The loss of certain customers could adversely affect the Company’s business, financial condition, or results of operations until such business is replaced, and no assurances can be made that the Company would be able to regain or replace any lost customers.

Risks Related to Acquisitions and Organic Growth

The inability to develop new or updated products could limit growth.

Demand for new products, or the need to update existing products to compete with new or updated products offered by competitors, could adversely affect the Company’s performance, ability to maintain current levels of revenues and earnings, and prospects for future growth if the Company were unable to develop and introduce new competitive products or updates to existing products at favorable profit margins. The uncertainties associated with developing and introducing new products or updates to existing products, such as the market demands and the costs of development and production, may impede the successful development and introduction of new products or updates to existing products. Acceptance of the new or updated products may not meet sales expectations due to several factors, such as the Company’s potential inability to accurately predict market demand or to resolve technical issues in a timely and cost-effective manner. Additionally, the inability to develop new or updated products on a timely basis could result in the loss of business to competitors.

The inability to identify or complete acquisitions could limit growth.

The Company's future growth may partly depend on its ability to acquire and successfully integrate new businesses. The Company intends to seek additional acquisition opportunities, both to expand into new markets and to enhance the Company's position in existing markets. However, there can be no assurances that the Company will be able to successfully identify suitable candidates, negotiate appropriate terms, obtain financing on acceptable terms, complete proposed acquisitions, successfully integrate acquired businesses or expand into new markets. Once acquired, operations may not achieve anticipated levels of revenues or profitability.

Acquisitions involve risk, including difficulties in the integration of the operations, technologies, services, and products of the acquired companies and the diversion of management's attention from other business concerns. Although the Company's management will endeavor to evaluate the risks inherent in any particular transaction, there can be no assurances that the Company's management will properly ascertain all such risks. In addition, prior acquisitions have resulted, and future acquisitions could result in the incurrence of substantial debt and other expenses. Future acquisitions may also result in potentially dilutive issuances of equity securities. Difficulties encountered with acquisitions may have a material adverse effect on our business, financial condition, and results of operations.

We may be unable to successfully execute or effectively integrate acquisitions of any businesses we may acquire in the future.

We regularly review our portfolio of businesses and pursue growth through acquisitions. We may not be able to complete transactions on favorable terms, on a timely basis, or at all, and the success of any such acquisitions depends on our ability to combine the acquired business with our existing business in a manner that does not disrupt our and the acquired business's ongoing relationships with customers, suppliers, and employees. Our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns, including risk of impairment; (ii) the failure to integrate multiple acquired businesses into the Company simultaneously and on schedule or to achieve expected synergies and (iii) the discovery of unanticipated liabilities, cybersecurity and compliance issues, labor relations difficulties or other problems in acquired businesses for which we lack contractual protections, or insurance or indemnities.

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Risks Related to Technology and Information Security

Our technology is important to the Company's success and the failure to protect this technology could put the Company at a competitive disadvantage.

Some of the Company's products rely on proprietary technology; therefore, the Company believes that the development and protection of intellectual property rights through patents, copyrights, trade secrets, trademarks, confidentiality agreements and other contractual provisions are important to the future success of its business. Despite the Company's efforts to protect proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use the Company's products or technology. Actions to enforce these rights may result in substantial costs and diversion of resources and the Company makes no assurances that any such actions will be successful.

In addition to the United States, we have applied for intellectual property protection in other jurisdictions with respect to certain innovations and new products, product features, and processes. The laws of certain foreign countries in which we do business, or may contemplate doing business in the future, do not recognize intellectual property rights or protect them to the same extent as U.S. law. As a result, these factors could weaken our competitive advantage with respect to our products, services, and brands in foreign jurisdictions, which could adversely affect our financial performance. We may also encounter significant problems in protecting and defending our licensed and owned intellectual property in foreign jurisdictions. For example, China currently affords less protection to a company's intellectual property than some other jurisdictions. As such, the lack of strong patent and other intellectual property protection in China may significantly increase our vulnerability regarding unauthorized disclosure or use of our intellectual property and undermine our competitive position. Proceedings to enforce our intellectual property rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

The Company relies on information and technology for many of its business operations, which could fail and cause disruption to the Company's business operations.

The Company's business operations are dependent upon information technology networks and systems to securely transmit, process and store electronic information and to communicate among its locations around the world and with clients and vendors. A shut-down of, or inability to access, one or more of the Company's facilities, a power outage, a ransomware incident, or a failure of one or more of the Company's information technology, telecommunications or other systems could significantly impair the Company's ability to perform such functions on a timely basis. Computer viruses, cyberattacks, other external hazards and human error could result in the misappropriation of assets or sensitive information, corruption of data or operational disruption. If sustained or repeated, such a business interruption, system failure, service denial or data loss and damage could result in a deterioration of the Company's ability to write and process orders, provide customer service, or perform other necessary business functions.

A breach in the security of the Company's software or information technology systems could harm its reputation, result in a loss of current and potential customers, and subject the Company to material claims, which could materially harm our operating results and financial condition.

If the Company's security measures are breached, an unauthorized party may obtain access to the Company's data or users' or customers' data. In addition, cyberattacks and similar acts could lead to interruptions and delays in operations or customer processing or a loss or breach of the Company's or a customer's data. Because the techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures. The risk that these types of events could seriously harm the Company's business is likely to increase as the Company expands its reliance on technology for its operations and order processing and enhances the number of web-based products we offer, the services we provide, and our global operations. processing.

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Data breaches and other serious cybersecurity incidents have increased globally, along with the methods, techniques, and complexity of attacks, including use of viruses, ransomware and other malicious software, phishing, and other efforts to discover and exploit any design flaws, bugs, or other security vulnerabilities. Continued geopolitical turmoil, including the ongoing conflict between Russia and Ukraine, has heightened the risk of cyberattacks. We have been, and likely will continue to be, subject to such cyberattacks, although none has had a material impact on our operations. Also, the same cybersecurity threats exist for the third parties with whom we interact and share information and cyberattacks on third parties that possess or use our customer, personnel and other information could adversely impact us in the same way as would a direct cyberattack on us. The Company is subject to federal, state, and international laws and regulations relating to the collection, use, retention, security and transfer of personally identifiable information and individual payment data. The information, security and privacy requirements imposed by such laws and regulations are constantly evolving and are becoming increasingly demanding in the United States and other jurisdictions in which the Company operates. In addition, the interpretation and application of consumer and data protection laws in the United States and elsewhere are often uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data practices. If so, in addition to the possibility of fines or other penalties, this could result in an order requiring that the Company change its data practices, which could be costly, divert management attention, and have an adverse effect on the Company's business and results of operations. The Company has incurred and may continue to incur significant costs relating to compliance with these laws and regulations, including costs related to updating certain business practices and systems and ensuring continued compliance. Further, any changes to laws or regulations, including new restrictions or requirements applicable to our business, or an increase in enforcement of existing laws and regulations, could expose the Company to additional costs and liability.

Any security breaches for which the Company is, or is perceived to be, responsible, in whole or in part, or any actual or perceived violations of data privacy laws and regulations, could subject the Company to legal claims or legal proceedings, including regulatory investigations, which could harm the Company's reputation and result in significant litigation costs and damage awards or settlement amounts. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could materially harm our operating results and financial condition. Security breaches also could cause the Company to lose current and potential customers, which could have an adverse effect on the Company's business. Moreover, the Company may be required to expend significant financial and other resources to further protect against security breaches or to rectify problems caused by any security breach.

Litigation, Compliance and Regulatory Risks

Delays in, or disagreements with the Company's independent registered public accounting firm regarding, the Company's evaluation of its internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on the market price of the Company's stock or its borrowing ability. In addition, future changes in operating conditions could result in inadequate internal control over financial reporting.

The Company is an "accelerated filer" as defined in Rule 12b-2 under the Exchange Act and is thus required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires the Company to include in its report Annual Report on Form 10-K management's assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the fiscal period for which the Company is filing its Annual Report on Form 10-K. the report. This report must also include disclosure of any material weaknesses in internal control over financial reporting that the Company has identified. Additionally, the Company's independent registered public accounting firm is required to issue a report on the Company's internal control over financial reporting and their evaluation of the operating effectiveness of the Company's internal control over financial reporting. The Company's assessment requires it to make subjective judgments, and the independent registered public accounting firm may not agree with the Company's assessment. If the Company or its independent registered public accounting firm were unable to complete the assessments within the period prescribed by Section 404 and thus be unable to conclude that the internal control over financial reporting is effective, investors could lose confidence in the Company's reported financial information, which could have an adverse effect on the market price of the Company's common stock or impact the Company's borrowing ability. In addition, changes in operating conditions and changes in compliance with policies and procedures currently in place may result in inadequate internal control over financial reporting in the future.

Environmental compliance costs and liabilities could increase the Company's expenses and adversely affect the Company's financial condition.

The Company's operations and properties are subject to laws and regulations relating to environmental protection, including air emissions, water discharges, waste management and workplace safety. These laws and regulations can result in the imposition of substantial fines and sanctions for violations and could require the installation of pollution control equipment or operational changes to limit pollution emissions and/or decrease the likelihood of accidental hazardous substance releases. The Company must conform its operations and properties to these laws and adapt to regulatory requirements in the countries in which the Company's businesses operate as these requirements change.

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The Company uses and generates hazardous substances and wastes in its operations and, as a result, could be subject to potentially material liabilities relating to the investigation and clean-up of contaminated properties and to claims alleging personal injury. The Company has experienced, and expects to continue to experience, costs relating to compliance with environmental laws and regulations. In connection with the Company's acquisitions, the Company may assume significant environmental liabilities, some of which it may not be aware of at the time of acquisition. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require the Company to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition, and results of operations.

Natural disasters, changes in climate, and geo-political events and public health crises, including pandemics (such as COVID-19) and epidemics, and any related Company or government policies or actions may negatively impact our business.

Natural disasters, changes in climate, geo-political events, and geo-political public health crises, including pandemics (such as COVID-19) and epidemics, as well as Company or government policies adopted or actions taken as a result of such events, could materially adversely affect our business and financial performance. The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons, weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise, severe changes in climate, and geo-political events, such as war, civil unrest or terrorist attacks, or public health crises in a country in which we operate or in which our suppliers are located could result in loss of human life, significant property and equipment damage, environmental pollution, or reputational harm and could adversely affect our operations and financial performance. Our business and operations may be disrupted if we do not respond, or are perceived not to respond, in an appropriate manner to any of these hazards and risks or any other major crisis or if we are unable to efficiently restore or replace affected operational components and capacity. Countermeasures to address global health crises, epidemics or pandemics, such as those that were taken to reduce the spread of COVID-19, may result in reduced demand for our products; disruptions to our supply chain, the global economy or financial or commodity markets; disruptions in our contractual arrangements with our service providers, suppliers and other counterparties; failures by our suppliers, contract manufacturers, contractors, joint venture partners and external business partners, to meet their obligations to us; or reduced workforce productivity. Any such occurrence could materially and adversely impact our financial condition, results of operations, cash flows or liquidity position. Further, our insurance may not be adequate to compensate us for all resulting losses described above, and the cost to obtain adequate coverage may increase for us in the future or may not be available.

The Company could be subject to litigation, which could have a material impact on the Company's business, financial condition, or results of operations.

From time to time, the Company's operations are parties to or targets of lawsuits, claims, investigations, and proceedings, including product liability, personal injury, patent, and intellectual property, commercial, contract, and environmental and employment matters, which are defended and settled in the ordinary course of business. Any litigation to which the Company may be subject could have a material adverse effect on its business, financial condition, or results of operations. See Item 3 – *Legal Proceedings* of this Form 10-K for a discussion of current litigation.

The Company could be subject to additional tax liabilities.

The Company is subject to income tax laws of the United States, its states, and municipalities and those of other foreign jurisdictions in which the Company has business operations. These laws are complex, evolving, and subject to interpretations interpretation by the taxpayer and the relevant governmental taxing authorities.

The Company's future annual and quarterly tax rates could be affected by numerous factors, including changes in the (1) applicable tax laws; (2) composition of earnings in countries with differing tax rates; or (3) recoverability of our deferred tax assets and liabilities. Beginning in 2022, the U.S. Tax Cuts and Jobs Act of 2017 eliminated the existing option to deduct research and development expenditures and requires taxpayers to amortize them over five years pursuant to IRC Section 174. This requirement is expected to reduce our cash flows. flow. In August 2022, the United States enacted the Inflation Reduction Act of 2022 (the "IRA") which includes a new 15% corporate minimum tax as well as a 1% excise tax on fair value of corporate stock repurchases made after December 31, 2022. The IRA could have a negative impact on our tax position. Many countries and organizations such as the Organization for Economic Cooperation and Development are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Any of these developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our results of operations.

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Significant judgment and interpretation are required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, transactions arise where the ultimate tax determination is uncertain. Although the Company believes that our tax estimates are reasonable, the outcome of tax audits and any related litigation could be materially different from that which is reflected in historical income tax provisions and accruals. Based on the status of a given tax audit or related litigation, a material effect on the Company's income tax provision or net income may result during the period or periods from the initial recognition of a particular matter in the Company's reported financial results to the final closure of that tax audit or settlement of related litigation when the ultimate tax and related cash flow is known with certainty.

New or existing U.S. or foreign laws and regulations could subject the Company to claims or otherwise impact the Company's business, financial condition, or results of operations.

The Company is subject to a variety of laws, regulations, rules, and policies in both the U.S. and foreign countries that are costly to comply with, can result in negative publicity and diversion of management time and effort, and can subject the Company to claims or other remedies. These laws, regulations, rules, and policies could relate to any of an array of issues including, but not limited to, data privacy and security, environmental, tax, intellectual property, trade secrets, product liability, contracts, antitrust, employment, securities, import/export, and unfair competition. These laws and regulations may differ in different jurisdictions and are subject to change. The cost of maintaining compliance under multiple and changing regulatory regimes, and expenditures that may be required to comply with new laws and regulations, may adversely affect the Company's business, financial condition, and results of operations. In the event that the Company fails to comply with or violates applicable U.S. or foreign laws or regulations or customer policies, the Company could be subject to civil or criminal claims or proceedings that may result in monetary fines, penalties or other costs against the Company or its employees, which may adversely affect the Company's operating results, financial condition, customer relations and ability to conduct its business.

Risks Related to Our Indebtedness

Indebtedness may affect our business and may restrict our operating flexibility.

As of December 30, 2023, the Company had $43.9 million in total consolidated indebtedness. Subject to restrictions contained in the Credit Agreement, the Company may incur additional indebtedness in the future, including indebtedness incurred to finance acquisitions. The level of indebtedness and servicing costs associated with that indebtedness could have important effects on our operation and business strategy. For example, the indebtedness could:

- Place the Company at a competitive disadvantage relative to the Company's competitors, some of which have lower debt service obligations and greater financial resources;
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- Limit the Company's ability to borrow additional funds;
- Limit the Company's ability to complete future acquisitions;
- Limit the Company's ability to pay dividends;
- Limit the Company's ability to make capital expenditures; and
- Increase the Company's vulnerability to general adverse economic and industry conditions.

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The Company's ability to make scheduled principal payments, to pay interest on, or to refinance our indebtedness and to satisfy other debt obligations will depend upon future operating performance, which may be affected by factors beyond the Company's control. In addition, there can be no assurance that future borrowings or the issuance of equity would be available to the Company on favorable terms for the payment or refinancing of the Company's debt. If the Company were unable to service its indebtedness, the business, financial condition, and results of operations would be materially adversely affected.

The Credit Agreement contains covenants requiring the Company to achieve certain financial and operational results and maintain compliance with specified financial ratios. The Company's ability to meet the financial covenants or requirements in the Credit Agreement may be affected by events beyond our control, and the Company may not be able to satisfy such covenants and requirements.

The Credit Agreement also contains several restrictive covenants that could adversely affect the Company's ability to operate its business. These covenants restrict, among other things, the Company's ability to:

- Merge with or into another company or sell assets;
- Grant liens;
- Incur additional indebtedness;
- Make investments or guarantee indebtedness of another person or entity;
- Pay dividends, make distributions, or repurchase equity;
- Engage in certain transactions with affiliates; and
- Make certain changes to the Company's business.

A breach of these covenants or the Company's inability to comply with the financial ratios, tests or other restrictions contained in our Credit Agreement could result in an event of default under the Credit Agreement. Upon the occurrence of an event of default under the Credit Agreement and/or the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under our credit facility, together with accrued interest, to be immediately due and payable. If this were to occur, the Company's assets may not be sufficient to fully repay the amounts due under our credit facility or the Company's other indebtedness.

Risks Related to Global Economic Conditions

Global economic conditions have in the past and may in the future have a material adverse effect on the Company's financial condition and operating results.

Global economic conditions have in the past and may in the future impact the Company's results. For example, volatile economic conditions that resulted from the COVID-19 pandemic led to economic slowdowns that caused contractions in some or all the markets we serve, and these impacts have continued and may continue for the foreseeable future. This has led to and may continue to lead to decreased demand for the Company's products, which in turn has negatively impacted, and may continue to negatively impact, the Company's financial condition and operating results. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, and overall economic slowdowns could reduce the Company's sales or erode operating margin, in either case reducing earnings.

Economic conditions or changes in asset returns interest rates could increase our pension plan funding obligations and reduce our profitability

In addition, pension plan funded status, the ratio of plan assets over plan liabilities, is largely influenced by current market conditions. To the extent asset returns and interest rates, which are used to discount future plan benefits, change from prior measurement periods, the plan's funded ratio has the potential to change significantly. Declines in interest rates and projected rates of return could require us to make significant additional contributions to our pension plans in the future.

General Risk Factors

The Company's goodwill or indefinite-lived intangible assets may become impaired, which could require a significant charge to earnings be recognized.

Under accounting principles generally accepted in the United States, goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment at least annually. Future operating results used in the assumptions, such as sales or profit forecasts, may not materialize, and the Company has been and could in the future be required to record a significant charge to earnings in the financial statements during the period in which any impairment is determined, resulting in an unfavorable impact on our results of operations.

The Company may need additional capital in the future, which may not be available on acceptable terms, if at all.

From time to time, the Company has historically relied on outside financing to fund expanded operations, capital expenditure programs and acquisitions. The Company may require additional capital in the future to fund operations or strategic opportunities. The Company cannot be assured that additional financing will be available on favorable terms, or at all. In addition, the terms of available financing may place limits on the Company's financial and operating flexibility. If the Company is unable to obtain sufficient capital in the future, the Company may not be able to expand or acquire complementary businesses and may not be able to continue to develop new products or otherwise respond to changing business conditions or competitive pressures.

The Company's stock price may become highly volatile, and investors may not be able to sell their shares at their desired prices, or at all.

The Company's stock price may change dramatically when buyers seeking to purchase shares of the Company's common stock exceed the shares available on the market, or when there are no buyers to purchase shares of the Company's common stock when shareholders are trying to sell their shares. The Company's common stock has historically been "thinly" traded, meaning that the number of persons interested in purchasing shares of Company common stock at prevailing prices at any given time may be relatively small. This may contribute to price volatility, as the trading of relatively small quantities of shares by our shareholders may disproportionately influence share price and may prevent investors from selling their shares at or above their purchase price if there is not sufficient demand for the shares at the time of sale.

The Company depends on key management, sales and marketing and technical personnel, the loss of whom could harm its businesses. business.

The Company depends on key management and technical personnel. The loss of one or more key employees could materially and adversely affect the Company.

The Company's success also depends on its ability to attract and retain highly qualified technical, sales and marketing and management personnel necessary for the maintenance and expansion of its activities. The Company faces strong competition for such personnel and may not be able to attract or retain such personnel. In addition, when the Company experiences periods with little or no profits, a decrease in compensation based on profits may make it difficult to attract and retain highly qualified personnel.

To attract and retain executives and other key employees, the Company must provide a competitive compensation package. If the Company's profits decrease, or if the Company's total compensation package is not viewed as competitive, the Company's ability to attract, retain and motivate executives and key employees could be weakened. The failure to successfully hire and retain executives and key employees or the loss of any executives and key employees could have a significant impact on our operations.

The Company may not be able to reach acceptable terms for contracts negotiated with its labor unions and be subject to work stoppages or disruption of production.

During 2023, union contracts covering approximately 21% of the Company's total workforce will expire. The Company has been successful in negotiating new contracts over the years but cannot guarantee that will continue and the Company has, in the past experienced, and could in the future experience, temporary work stoppages during negotiation of such contracts. Failure to negotiate new union contracts, or any work stoppage that is prolonged, could result in the disruption of production, inability to deliver product, or a number of several unforeseen circumstances, any of which could have an unfavorable material impact on the Company's results of operations or financial condition. During 2024, no union contracts are scheduled to expire.

Deterioration in the creditworthiness of several major customers could have a material impact on the Company’s business, financial condition, or results of operations.

Included as a significant asset on the Company’s balance sheet are accounts receivable from our customers. If several large customers become insolvent or are otherwise unable to pay for products or become unwilling or unable to make payments in a timely manner, it could have an unfavorable material impact on the Company’s results of operations or financial condition.

Although the Company is not dependent on any one customer, deterioration in several large customers at the same time could have an unfavorable material impact on the Company’s results of operations or financial condition. One customer exceeded represented 12% of total accounts receivable for fiscal 2023 and one customer represented 14% of total accounts receivable for fiscal 2022 and one customer exceeded 10% of total accounts receivable for fiscal 2021. 2022.

The Company’s operating results may fluctuate, which makes the results of operations difficult to predict and could cause the results to fall short of expectations.

The Company’s operating results may fluctuate because of several factors, many of which are outside of our control. As a result, comparing the Company’s operating results on a period-to-period basis may not be meaningful, and past results should not be relied upon as an indication of future performance. Quarterly, year to date, and annual costs and expenses as a percentage of revenues may differ significantly from historical or projected levels. Future operating results may fall below expectations. These types of events could cause the price of the Company’s stock to fall.

New or existing U.S. or foreign laws and regulations could subject the Company to claims or otherwise impact the Company’s business, financial condition, or results of operations.

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The Company is subject to a variety of laws, regulations, rules, and policies in both the U.S. and foreign countries that are costly to comply with, can result in negative publicity and diversion of management time and effort, and can subject the Company to claims or other remedies. These laws, regulations, rules, and policies could relate to any of an array of issues including, but not limited to, environmental, tax, intellectual property, trade secrets, product liability, contracts, antitrust, employment, securities, import/export and unfair competition. These laws and regulations may differ in different jurisdictions and are subject to change. The cost of maintaining compliance under multiple and changing regulatory regimes, and expenditures that may be required to comply with new laws and regulations, may adversely affect the Company’s business, financial condition, and results of operations. In the event that the Company fails to comply with or violates applicable U.S. or foreign laws or regulations or customer policies, the Company could be subject to civil or criminal claims or proceedings that may result in monetary fines, penalties or other costs against the Company or its employees, which may adversely affect the Company’s operating results, financial condition, customer relations and ability to conduct its business.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 1C CYBERSECURITY

The Company’s Board recognizes the critical importance of maintaining the trust and confidence of our customers, clients, business partners and employees. The Board is actively involved in oversight of the Company’s risk management program, and cybersecurity represents a key component of the Company’s overall approach to enterprise risk management (“ERM”). The Company’s cybersecurity policies, standards, processes, and practices are fully integrated into the Company’s ERM program and are based on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards. In general, the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on preserving the confidentiality, security, and availability of the information that the Company collects and stores by identifying, preventing, and mitigating cybersecurity threats and effectively responding to cybersecurity incidents when they occur.

Risk Management and Strategy

As one of the critical elements of the Company’s overall ERM approach, the Company’s cybersecurity program is focused on the following key areas:

Governance: As discussed in more detail under the heading “Governance,” The Board’s oversight of cybersecurity risk management is supported by the Audit Committee of the Board (the “Audit Committee”), which regularly interacts with the Company’s ERM function, the Company’s Director of Information Technology & Cybersecurity, and other members of management and relevant management committees and councils, including management’s Cybersecurity Council.

Collaborative Approach: The Company has implemented a comprehensive, cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that are designed to provide for the prompt and appropriate internal reporting of certain cybersecurity incidents, either in the form of a single unauthorized occurrence or a series of unauthorized occurrences, so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

Technical Safeguards: The Company deploys technical safeguards that are designed to protect the Company’s information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.

Incident Response and Recovery Planning: The Company has established and maintains comprehensive incident response and recovery plans intended to fully and timely address the Company's response to a cybersecurity incident, and such plans are tested and evaluated on a regular basis.

Third-Party Risk Management: The Company maintains a comprehensive, risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of the Company's systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.

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Education and Awareness: The Company provides regular, mandatory training for personnel regarding cybersecurity threats to equip the Company's personnel with effective tools to proactively address cybersecurity threats and prevent incursions, and to communicate the Company's evolving information security policies, standards, processes, and practices. Our awareness program includes assessment of our personnel's preparedness through regular phishing e-mail alerts, highlighted banners that warn about external senders, and tests administered to help the Company's personnel interrogate, navigate around, and avoid clicking suspicious and unfamiliar links from unknown senders.

The Company engages in the periodic assessment and testing of the Company's policies, standards, processes, and practices that are designed to address cybersecurity threats and incidents. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. The Company engages third parties to perform assessments on our cybersecurity measures, including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. The results of such assessments, audits and reviews are reported to the Audit Committee and the Board, and the Company adjusts its cybersecurity policies, standards, processes, and practices as appropriate based on the information provided by these assessments, audits, and reviews.

Governance

The Board, in coordination with the Audit Committee, oversees the Company's ERM process, including the management of risks arising from cybersecurity threats. The Board and the Audit Committee each receive regular presentations and reports on cybersecurity risks, which address a wide range of topics including recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends, and information security considerations arising with respect to the Company's peers and third parties. The Board and the Audit Committee also receive prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds, or that management otherwise deems to be significant, as well as ongoing updates regarding any such incident until it has been addressed. On an annual basis, the Board and the Audit Committee discuss the Company's approach to cybersecurity risk management with the members of management's Cybersecurity Council, which includes the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Director of Risk, and Director of Information Technology & Cybersecurity.

The Cybersecurity Council, in coordination with the Company's outside legal counsel, works collaboratively across the Company to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with the Company's incident response and recovery plans. To facilitate the success of the Company's cybersecurity risk management program, multidisciplinary teams throughout the Company are deployed to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, the Director of Information Technology & Cybersecurity and the Cybersecurity Council monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and report such threats and incidents to the Audit Committee when appropriate.

The Director of Information Technology & Cybersecurity has served in various roles in information technology and information security for over 25 years, including the design and management of operational and cybersecurity activities of two large public companies. The Director of Information Technology & Cybersecurity holds undergraduate and graduate degrees in computer science and is certified in NIST, CMMC, CIS, and GDPR. The Company's CEO and CFO each hold undergraduate and graduate degrees in their respective fields, and each has over 20 years of experience managing risks at the Company and at similar companies, including risks arising from cybersecurity threats.

Cybersecurity threats, including as a result of previous cybersecurity incidents, have not materially affected and are not reasonably likely to affect the Company, including its business strategy, results of operations or financial condition.

ITEM 2 PROPERTIES

The Company leases 3,947 square feet of corporate office space in Shelton, Connecticut. The current lease expires on March 31, 2033.

All the Company's properties are owned or leased and are adequate to satisfy current requirements. All the Company's properties have the necessary flexibility to cover any long-term expansion requirements.

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Company facilities include the following:

Big 3 Products in Centralia, Illinois owns 156,160 square feet of administrative and manufacturing space located in an industrial park. The single-story building is steel frame with steel siding and roof.

Big 3 Products in Dearborn, Michigan leases 86,250 square feet of building space. The building is made from industrial block. Approximately 6,000 square feet of office space is used for design engineers. The current lease expires on February 4, 2025.

Big 3 Products in Chesterfield, Michigan leases 45,000 square feet for a design and manufacturing facility. This building is industrial block and metal frame. The current lease expires on February 28, 2026.

Big 3 Mold in Millville, New Jersey owns 54,450 square feet of building space. The building is industrial block.

Big 3 Precision in Pleasant Hill, Missouri leases 1,000 square feet of office space. The building is metal frame. The current lease expires on April 2, 2023.
Big 3 Precision in Kimball, Michigan leases 3,500 square feet of building space. The current lease expires on February 28, 2026 March 1, 2026, with an option to renew for an additional twelve months.
Associated Tool, a wholly owned subsidiary in Farndon, UK leases 16,000 square feet of building space. The building is industrial block and metal frame. The current lease expires on December 17, 2026.

Hallink Moulds, a wholly owned subsidiary in Cambridge, Ontario, leases 15,000 square feet of building space. The building is industrial block and metal frame. The current lease expires on January 31, 2024 February 1, 2025, with the option to renew for an additional twenty-four months.

Eberhard Manufacturing in Strongsville, Ohio owns 9.6 acres of land and a building containing 157,580 square feet, located in an industrial park. The building is steel frame, is one-story and has curtain walls of brick, glass, and insulated steel panels. The building has two high bays, one of which houses two units of automated warehousing.

Eberhard Manufacturing leases 8,551 square feet of office space in Arlington Heights, IL. The current lease expires on September 1, 2026.

Eastern Industrial Ltd., a wholly owned subsidiary in Shanghai, China, leases brick and concrete buildings containing approximately 47,500 square feet of space that are in both industrial and commercial areas. In 2022, Eastern Industrial, Ltd. entered a three-year lease, which expires on March 31, 2025, and is renewable.

The World Lock Co. Ltd. Subsidiary leases 5,285 square feet of space in a building located in Taipei, Taiwan. The building is made from brick and concrete and is protected by a fire alarm and sprinklers. The current lease expires on October 31, 2023 October 28, 2026.

The Dongguan Reeworld Security Products Ltd. Subsidiary leases 103,800 square feet of space in concrete buildings that are in an industrial park in Dongguan, China. The current lease expires on May 31, 2027, and is renewable.

Velvac, Inc., a wholly owned subsidiary in New Berlin, Wisconsin, leases a 98,000 square foot building. The building includes 17,000 square feet of office space and 81,000 square feet of warehousing and distribution operations. The current lease expires on May 31, 2024 May 31, 2029.

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Velvac, Inc. leases 100,000 square feet of warehouse space in Pharr, TX. The current lease expires on April 15, 2025.

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Velvac de Reynosa, S. De R.L De C.V., a maquiladora wholly owned in Reynosa, Tamaulipas, Mexico, leases 150,000 225,000 square feet of building space located in an industrial park identified as Lots 2, 3 and 4. The building is one level and is made from brick and concrete. The current lease expires on December 1, 2030.

All owned properties are free and clear of any encumbrances.

ITEM 3 LEGAL PROCEEDINGS

The Company is party to various legal proceedings from time to time related to its normal business operations. Currently, the Company is not involved in any material pending legal proceedings, and no such material proceedings are known to the Company to be contemplated by governmental authorities.

In 2016, the Company created a plan to remediate a landfill of spent foundry sand maintained at the Company's previously owned metal casting facility in New York. This plan was agreed to by the New York State Department of Environmental Conservation (the "NYSDEC") on March 27, 2018. Based on estimates provided by the Company's environmental engineers, the anticipated cost to remediate and monitor the landfill was $430,000. The Company accrued for and expensed the entire $430,000 in the first quarter of 2018 and fiscal 2017. In the fall of 2018, detailed construction drawings were prepared by an outside consultant in conjunction with informal progress reviews by the NYSDEC. Long-term groundwater monitoring commenced in April 2019. Verbal approval for the closure plan was received from the NYSDEC in May 2019, and written approval was received in October 2020. Construction of the closure remedies, including improved drainage system, regrading, and installation of a low permeability cap was completed in October 2021. A closure report and long-term maintenance plan were submitted to the NYSDEC in November 2021. In July 2023, the Company received NYSDEC approval for the closure report and long-term maintenance plan. The 30-year annual groundwater monitoring and site maintenance program are is underway and will continue through 2048.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

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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 quoted on the NASDAQ Global Market under the symbol "EML". "EML." The approximate number of record holders of the Company common stock on December 31, 2022 December 30, 2023 was 295. 276.

The Company expects to continue its policy of paying regular cash dividends, although there can be no assurance as to future dividends because they are dependent on future earnings, capital requirements and financial condition. conditions.

During fiscal years 2022 2023 and 2021, 2022, there were no sales by the Company of its securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

On May 2, 2018 August 21, 2023, the Company announced that its Board of Directors had authorized approved a new share repurchase program authorizing the Company to repurchase up to 200,000 shares of the Company's common stock. stock through August 20, 2028. The Company's share repurchase program does not obligate it to acquire the Company's common stock at any specific cost per share. Under this program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

The Company made no the following share repurchases during the fourth quarter of 2022, 2023, as set forth in the table below:

Issuer Repurchases of Equity Securities

Period	**Total number of shares purchased**	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs**	**Maximum number of shares that may yet be purchased under the plans or programs**
	(a)	(b)	(c)	(d)
October 2, 2022 to October 29, 2022	--	--	--	60,284
October 30, 2022 to November 26, 2022	--	--	--	60,284
November 27, 2022 to December 31, 2022	--	--	--	60,284
Total	--	--	--	60,284

Issuer Repurchases of Equity Securities

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
	(a)	(b)	(c)	(d)
October 1, 2023 to October 28, 2023	10,000	$ 18.05	10,000	176,762
October 29, 2023 to November 25, 2023	6,762	17.44	6,762	170,000
November 26, 2023 to December 30, 2023	10,000	19.18	10,000	160,000
Total	26,762	18.32	26,762	160,000

ITEM 6 RESERVED

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's fiscal year ends on the Saturday nearest to December 31. Fiscal years 2022 2023 and 2021 2022 were each 52 weeks in length. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to results for "2023" or "fiscal year 2023" mean the fiscal year ended December 30, 2023, and references to results for "2022" or "fiscal year 2022" mean the fiscal year ended December 31, 2022. References to the "fourth quarter of 2023" or the "fourth fiscal quarter of 2023" mean the thirteen-week period from October 1, 2023 to December 30, 2023, and references to results for "2021" or "fiscal year 2021" mean the fiscal year ended January 1, 2022. References to the "fourth quarter of 2022" or the "fourth fiscal quarter of 2022" mean the thirteen-week period from October 2, 2022 to December 31, 2022, and references to the "fourth quarter of 2021" or the "fourth fiscal quarter of 2021" mean the thirteen-week period from October 3, 2021 to January 1, 2022.

The following analysis excludes discontinued operations.

Summary

Sales for 2022 2023 were $279.3 million $273.5 million compared to $246.5 million $279.3 million for 2021. 2022. Net income for 2022 2023 was $8.6 million, or $1.37 per diluted share, compared to $11.1 million, or $1.77 per diluted share, compared to $16.2 million, or $2.58 per diluted share, for 2021. 2022. Sales for the fourth quarter of 2022 2023 were $69.1 million $67.0 million compared to $59.6 million $69.1 million for the same period in 2021. 2022. Net income for the fourth quarter of 2022 2023 was $3.5 million, or $0.56 per diluted share compared to $0.2 million, or $0.03 per diluted share, compared to $3.9 million, or $0.62 per diluted share, for the comparable 2021 2022 period.

During 2022, the Company experienced rising material costs, supply chain disruption, labor shortages and abnormally high freight costs all having a negative impact on our gross margin. The Company's backlog was $72.5 million $80.1 million on December 31, 2022 December 30, 2023, compared to $82.8 million $72.5 million on January 1, 2022 December 31, 2022, primarily due to a decrease an increase of $5.0 million in backlog for locks and hardware at Eberhard, a decrease of $7.1 million $5.7 million in backlog at Big 3 for mold services and returnable packaging offset by and an increase of $1.8 million $6.3 million in backlog related to the launch of new mirror programs for Class 8 trucks being awarded to our Velvac subsidiary.

During 2022 the Company experienced price increases subsidiary, partially offset by a decrease of $4.4 million in backlog for many of the raw materials used in producing its products, including: scrap iron, stainless steel, hot locks and cold rolled steel, zinc, copper, aluminum, and nickel. These increases have negatively impacted and could continue to negatively impact the Company's gross margin if raw material prices increase too rapidly for the Company to recover those cost increases through either price increases to our customers or cost reductions in other areas of the business.

Impact of COVID-19, Current Political and Economic Conditions and Supply Chain Disruptions

The COVID-19 pandemic has affected our business, including our supply chain, our operations, the labor force, costs and interest rates throughout 2021 and 2022. We continue to follow CDC guidelines, social distancing, and sanitizing work areas. During the past two years and continuing into 2023, the Company implemented a broad range of policies and procedures to ensure that employees hardware at all our locations remain healthy. Steps that we have taken to reduce the risk of COVID-19 to our employees include, among others: protecting employee health by instructing employees to stay home if they exhibit symptoms of COVID-19. We maintain a clean work environment by frequently cleaning all touch points with products that meet EPA criteria for use against COVID-19; educating employees to clean their personal workspace at the beginning and the end of every shift; and providing hand sanitizer and disposable wipes. We encourage social distancing and continue to seek and implement additional methods to reduce the risk of COVID-19 to our employees. As a result of these measures, the COVID-19 pandemic had minimal impact on our North American capacity utilization at most of our production facilities. Many of the Company's employees have received COVID-19 vaccinations, and we will continue to encourage our workforce to get vaccinated.

Current global economic conditions, resulting from the COVID-19 pandemic and other factors, are highly volatile. Many of the markets we serve are facing inflation and rising interest rates, which has led to and may continue to lead to contractions resulting in decreased demand for our products. Decreased demand has in turn negatively impacted, and may continue to negatively impact, our financial condition and operating results. Any further or prolonged market contractions or economic slowdowns could materially adversely affect our sales or operating margin, which would in turn reduce earnings. Volatile global economic conditions may also cause foreign exchange rate fluctuations, which could result in material increases or decreases in earnings and may adversely affect the value of the Company's assets outside the United States. Increased pricing in response to fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on demand for the Company's products, which would affect sales and profits. Exchange rate fluctuations could also increase pricing pressure and impair the ability of the Company's products to compete with products imported from regions with favorable exchange rates.

In the second quarter of 2022, we experienced interruptions of our operations and supply base in China as a result of a new variant of COVID-19 and the local response to minimize its spread. A more significant resurgence of the COVID-19 pandemic or development of additional severe or highly contagious variants could cause further disruptions in our business and could adversely affect our financial condition, results of operations and cash flows. In addition, supply shortages and supply chain disruptions originally triggered by shutdowns and other restrictions imposed to slow the spread and resurgence of COVID-19 have impacted and may continue to impact the prices and availability of certain of the raw materials and components used in the production of our products.

The impact of economic contraction and supply chain disruptions has been exacerbated by the effects of tariffs, trade sanctions and global political instability. International trade policies, such as tariffs on imports from China and on aluminum imports, have increased our costs. Sanctions imposed as a result of the Ukraine conflict prohibit importation of a variety of products from Russia, which is a major global supplier of nickel, and have resulted in higher oil and other commodity prices that have increased shipping and transportation costs. Supply chain constraints and tariffs may result in cost increases that we are not able to offset with price increases, which could have a material adverse effect on our business, financial position, results of operations or cash flows. Further, trade restrictions and supply chain constraints have affected our ability to meet customer demand. If such conditions persist and we are unable to acquire necessary raw materials or components in a timely manner or at all, we may be unable to meet production requirements and may need to cancel or decline orders, which could have a material adverse effect on our reputation as well as our business and financial results.

The extent to which our operations will be further affected by COVID-19 and its lasting economic impact, including supply chain disruptions, cost inflation and rising interest rates, in fiscal year 2023 is dependent on future developments including new COVID-19 variants and governmental restrictions, the duration of the Russia–Ukraine conflict and related sanctions, actions taken by the Federal Reserve to stabilize the economy, and other factors outside our control. With the inherent uncertainty of the COVID-19 pandemic, volatile economic conditions and political instability, it is difficult to predict with any confidence the likely ultimate impact of these conditions on our future operations and the extent of actual and potential effects on our consolidated business, results of operations and financial condition. For further discussion of these risks, see Part I, Item 1A, *Risk Factors*, of this Form 10-K. Eberhard.

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Areas of uncertainty that require judgments, estimates and assumptions include items such as the allowance for doubtful accounts; inventory accounting; the testing of goodwill and other intangible assets for impairment; and pensions and other postretirement benefits. Management uses historical experience and all available information to make its estimates and assumptions, but actual results will inevitably differ from the estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related footnotes provide a meaningful and fair presentation of the Company's financial position and results of operations.

Management believes that the application of these estimates and assumptions on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company reviews the collectability of its receivables on an ongoing basis, considering a combination of factors that require judgment and estimates, including among others, our customers' access to capital, customers' willingness or ability to pay, customer payment patterns, general economic conditions and geopolitical trends, and our ongoing relationship with our customers. The Company reviews potential problems, such as past due accounts, a bankruptcy filing or deterioration in the customer's financial condition, to ensure that the Company has adequately accrued for potential loss. Accounts are considered past due based on when payment was originally due. If a customer's situation changes, such as a bankruptcy or a change in its creditworthiness, or there is a change in the current economic climate, the Company may modify its estimate of the allowance for doubtful accounts. The Company will write off accounts receivable after reasonable collection efforts have been made and the accounts are deemed uncollectible. If our estimates and assumptions as to collectability were materially incorrect, or if any of our significant customers were to develop unexpected and immediate financial problems that would prevent payment of amounts due to us, and our allowance for doubtful accounts were inadequate, this could result in an unexpected loss in profitability.

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As of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, the Company's allowance for doubtful accounts total was $677,000 $0.6 million and $515,000, $0.7 million, respectively. As of December 31, 2022 December 30, 2023, and January 1, 2022 December 31, 2022, the Company's bad debt expense was $208,000 $0.1 million and $48,000 $0.2 million, respectively.

Inventory

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the last-in, first-out ("LIFO") method at Eberhard while Big 3 Precision and Velvac are valued using a first-in, first-out ("FIFO") method. Accordingly, a LIFO valuation reserve is calculated using the dollar value link chain method.

We review the net realizable value of inventory in detail on an ongoing basis, considering deterioration, obsolescence, estimated future demand, current market conditions, and other factors. Based on these assessments, we provide for an inventory reserve in the period in which an impairment is identified. The reserve fluctuates with market conditions, design cycles, and other economic factors and could vary significantly, whether favorably or unfavorably, from actual results due to, among other things, unanticipated changes in economic conditions, customer demand, or the competitive landscape.

The inventory reserve for excess or obsolete inventory reduced the Company's inventory valuation by $1,926,000$1.7 million and $1,115,000$1.9 million as of December 31, 2022December 30, 2023 and January 1, 2022December 31, 2022, respectively.

Goodwill and Other Intangible Assets

Intangible assets with finite useful lives are generally amortized on a straight-line basis over the periods benefited. Goodwill and other intangible assets with indefinite useful lives are not amortized. The Company performs annual qualitative assessments on goodwill and other intangible assets as of the end of each fiscal year by comparing the estimated fair value of each reporting unit with its carrying amount. Additionally, the Company performs an interim analysis if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Such events or circumstances could include, among other things, increased competition or unexpected loss of market share, significant adverse changes in the markets in which the Company operates, or unexpected business disruptions. If the carrying amount of a reporting unit exceeds its estimated fair value, the Company records an impairment loss based on the difference between fair value and carrying amount not to exceed the associated carrying amount of goodwill. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions, including (i) macroeconomic conditions, (ii) market and industry conditions, (iii) cost factors, (iv) overall financial performance, (v) other relevant entity-specific events, and (vi) events affecting a reporting unit. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

The Company performed its annual qualitative assessment as of the end of each of fiscal 20222023 and 20212022 on the carrying value of goodwill and determined that it is more likely than not that no impairment of goodwill existed as of such dates. See Note 3 – *Accounting Policies – Goodwill*, in Item 8, *Financial Statements and Supplementary Data* of this Form 10-K for more detail.

Pension and Other Postretirement Benefits

The amounts recognized in the consolidated financial statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in these valuations are assumptions about such factors as expected return on plan assets, discount rates at which liabilities could be settled, rate of increase in future compensation levels, mortality rates, and trends in health insurance costs. These assumptions are reviewed annually and updated as required. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect the expense recognized and obligations recorded in future periods.

The discount rate used is based on a single equivalent discount rate derived with the assistance of our actuaries by matching expected future benefit payments in each year to the corresponding spot rates from the FTSE Pension Liability Yield Curve, comprised of high quality (rated AA or better) corporate bonds. The Company calculates its service and interest costs in future years by applying the specific spot rates along the selected yield curve to the relevant projected cash flows.

The expected long-term rate of return on assets is also developed with input from the Company's actuarial firms. We consider the Company's historical experience with pension fund asset performance, the current and expected allocation of our plan assets and expected long-term rates of return. The long-term rate-of-return assumption used for determining net periodic pension expense was 7.5% for 2022both 2023 and 2021. 2022. The Company reviews the long-term rate of return each year.

Future actual pension income and expenseexpenses will depend on future investment performance, changes in future discount rates and various other factors related to the population of participants in the Company's pension plans.

The Company expects to make cash contributions of approximately $800,000 and $50,000 to our pension plans and other postretirement plan, respectively, in 2023.

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The Company expects to make cash contributions of approximately $2,100,000 and $50,000 to our pension and other postretirement plans, respectively, in 2024.

In connection with our pension and other postretirement benefits, the Company reported income of $3.3 million$1.6 million and $2.1 million$3.3 million (net of tax) on its Consolidated Statement of Comprehensive Income for fiscal years 20222023 and 2021, 2022, respectively. The main factor driving this expenseincome was the change in the discount rate during the applicable period.

Assumptions used to determine net periodic pension benefit cost for the fiscal years indicated were as follows:

	2022 **2023**		2021 2022		
Discount rate	**5.21% - 5.23 %**		2.75% - 2.81% 2.81	2.40% - 2.48% %	
Expected return on plan assets		**7.5 %**		7.5%	7.5 %
Rate of compensation increase		**0.0 %**		0.0%	0.0 %

Assumptions used to determine net periodic other postretirement benefit cost are the same as those assumptions used for the pension benefit cost, except that the rate of compensation is not applicable for other postretirement benefit cost. fiscal years were as follows:

	2023	2022
Discount rate	5.28 %	2.93 %
Expected return on plan assets	4.0 %	4.0 %
Rate of compensation increase	4.3 %	4.3 %

The changes in assumptions had the following effect on the net periodic pension and other postretirement costs recorded in Other Comprehensive Income as follows:

	Year ended		Year ended	
	December 31, 2022	January 1, 2022	**December 30, 2023**	December 31, 2022
Discount rate	**$ 26,970,888**	$ 5,412,964	**$ (1,829,210)**	$ 26,970,888
Additional recognition due to significant event	**--**	(71,547)	**--**	--
Asset gain or (loss)	**(22,838,898)**	(781,059)	**2,396,043**	(22,838,898)
Amortization of:				
Unrecognized gain or (loss)	**1,552,085**	1,717,776	**1,303,879**	1,552,085
Unrecognized prior service cost	**70,493**	99,380	**4,241**	70,493
Other	**(1,538,804)**	(3,105,208)	**25,632**	(1,538,804)
Comprehensive income, before tax	**4,215,764**	3,272,306	**1,900,585**	4,215,764
Income tax	**(941,964)**	(1,208,497)	**(307,548)**	(941,964)
Comprehensive income, net of tax	**$ 3,273,800**	$ 2,063,809	**$ 1,593,037**	$ 3,273,800

The Plan has been investing a portion of the assets in long-term bonds to better match the impact of changes in interest rates on its assets and liabilities and thus reduce some of the volatility in Other Comprehensive Income. Please refer to Note 10 – *Retirement Benefit Plans* in Item 8, *Financial Statements and Supplementary Data* of this Form 10-K for additional disclosures concerning the Company's pension and other postretirement benefit plans.

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RESULTS OF OPERATIONS

Fourth Quarter 2022 2023 Compared to Fourth Quarter 2021 2022

The following table shows, for the fourth quarter of 2022 2023 and 2021, 2022, selected line items from the consolidated statements of income as a percentage of net sales for the Company's operations. The Company's continuing operations include (1) Big 3 Precision, including Big 3 Products, and Big 3 Mold, and Hallink Moulds, and Associated Toolmakers; Moulds; (2) Eberhard Manufacturing, Eastern Industrial Ltd., World Lock Company Ltd., Dongguan Reeworld Security Products Ltd., and World Security Industries Ltd.; and (3) Velvac Holdings.

	Three Months Ended	
	December 31, 2022	January 1, 2022
Net Sales	**100.0 %**	100.0 %
Cost of Products Sold	**83.4 %**	79.8 %
Gross Margin	**16.6 %**	20.2 %
Product Development Expense	**1.5 %**	1.7 %
Selling and Administrative Expense	**13.6 %**	12.5 %
Restructuring Costs	**1.0 %**	--
Operating Profit	**0.5 %**	6.0 %

	Three Months Ended

	December 30, 2023	December 31, 2022
Net Sales	100.0 %	100.0 %
Cost of Products Sold	73.2 %	83.4 %
Gross Margin	26.8 %	16.6 %
Product Development Expense	2.0 %	1.5 %
Selling and Administrative Expense	16.8 %	13.6 %
Restructuring Costs	-	1.0 %
Operating Profit	8.0 %	0.5 %

Net sales in the fourth quarter of 2022 increased 15.8% 2023 decreased 3.0% to $69.1 million $67.0 million from $59.6 million $69.1 million in the fourth quarter of 2021. 2022. Sales increases decreases were due to higher lower demand for trucks accessories distribution products and automotive returnable transport packaging and improved pricing. Sales volume products. Net sales of existing products increased 10.5%, prices decreased 7.7% while price increases and new products contributed 5.3% in increased net sales growth by 4.7% in the fourth quarter of 2022 2023 when compared to sales in the fourth quarter of 2021. 2022. New products included various truck mirrors, mirror assemblies, rotary latches, D-rings, and accessories. mirror cams.

Sales of new products contributed 1.4% 1.1% to sales growth in the fourth quarter of 2023 compared to 8% 1.4% sales growth from new products in the fourth quarter of 2021. 2022. New products in the fourth quarter of 2023 included various new truck mirrors and truck latches.

Cost of products sold in the fourth quarter of 2022 increased $10.0 million 2023 decreased $8.5 million or 21% 15% from the corresponding period in 2021. 2022. The increase decrease in cost of products sold is primarily attributable to increased lower sales volume, increases decreases in the cost of materials, increases in lower freight costs, due and a favorable adjustment to expedite fees associated with supply chain constraints, and other inventory write-offs. the LIFO reserve.

Gross margin as a percentage of net sales for the fourth quarter of 2022 2023 was 16.6% 26.8% compared to 20.2% 16.6% in the prior year fourth quarter. The decrease reflects the combination of higher increase is primarily due to lower material and freight costs, improved pricing, and a favorable adjustment to the LIFO reserve in the fourth quarter of 2023 combined with other inventory write-offs. write-offs in the fourth quarter of 2022.

Product development expenses increased $0.3 million, or 24%, in the fourth quarter of 2022 of $1.1 million were flat when 2023 compared to the fourth quarter of 2021. corresponding period in 2022 as we continue to invest in new products at Eberhard, Velvac and Big 3. As a percentage of net sales, product development costs were 1.5% and 1.7% 2.0% for the fourth quarter of 2022 and 2021 respectively as part of our investment 2023 compared to 1.5% for the corresponding period in new products at Eberhard and Velvac. 2022.

Selling and administrative expenses in the fourth quarter of 2022 2023 increased 1.1% 19.9% compared to the fourth quarter of 2021. 2022. As a percentage of net sales, selling and administrative costs were 16.8% for the fourth quarter of 2023 compared to 13.6% for the corresponding period in 2022. The increase was primarily the result of increased payroll and payroll related payroll-related expenses, increased travel, legal and other professional, and selling expenses. costs.

Restructuring expenses of $0.7 million were recognized in the fourth quarter of 2022 due to a warehouse consolidation into Eberhard.

Net income for the fourth quarter of 2022 decreased 95% 2023 increased to $3.5 million, or $0.56 per diluted share, from $0.2 million, or $0.03 per diluted share, from $3.9 million, or $0.62 per diluted share, in 2021. 2022. In the fourth quarter of 2022, net income was negatively impacted by restructuring costs of $0.5 million, net of tax, related to a warehouse consolidation into Eberhard.

Fiscal Year 2022 2023 Compared to Fiscal Year 2021 2022

The following table shows, for fiscal year 2022 2023 and fiscal year 2021, 2022, selected line items from the consolidated statements of income as a percentage of net sales for the Company's operations. The Company's continuing operations include (1) Big 3 Precision, including Big 3 Products, Big 3 Mold, Hallink Moulds and Associated Toolmakers Ltd.; (2) Eberhard Manufacturing Company, Eberhard Hardware, Eastern Industrial Ltd., Illinois Lock Company/CCL Security Products, World Lock Company Ltd., Dongguan Reeworld Security Products Ltd., and World Security Industries Ltd.; and (3) Velvac Holdings.

	Fiscal Year Ended

	December 31, 2022	January 1, 2022
Net Sales	**100.0 %**	100.0 %
Cost of Products Sold	**79.0 %**	77.0 %
Gross Margin	**21.0 %**	23.0 %
Product Development Expense	**1.5 %**	1.6 %
Selling and Administrative Expense	**14.1 %**	14.3 %
Restructuring Costs	**0.3 %**	--
Operating Profit	**5.1 %**	7.1 %

	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Net Sales	100.0 %	100.0 %
Cost of Products Sold	76.2 %	79.0 %
Gross Margin	23.8 %	21.0 %
Product Development Expense	2.0 %	1.5 %
Selling and Administrative Expense	16.2 %	14.1 %
Restructuring Costs	-	0.3 %
Operating Profit	5.6 %	5.1 %

Summary

Net sales for 2022 increased 13% 2023 decreased 2% to $273.5 million from $279.3 million from $246.5 million in 2021. 2022. The sales increase decrease was primarily due to higher lower demand for trucks truck accessories distribution products and automotive returnable packaging. Sales volume transport packaging products. Net sales of existing products increased decreased by 7% 6% in 2022 2023 compared to 2021 2022 while price increases and new products increased net sales in 2022 2023 by 6% 4%. Sales of new products contributed 3% 1% to sales growth in 2022 2023 compared to 8% 3% sales growth from new products in 2021. 2022. New products in 2022 2023 included various new truck mirrors, truck compression mirror assemblies, rotary latches, cable locks, D-rings, and locking assemblies. mirror cams.

Cost of products sold increased by $30.9 million decreased $12.4 million or 16% 6% to $208.2 million in 2023 from $220.6 million in 2022 from $189.8 million 2022. The decrease in 2021. The increase in the cost of products sold is primarily attributable to increased lower sales volume, increases volumes, decreases in the price cost of materials, increases in lower freight costs, due and a favorable adjustment to expedite fees associated with supply chain constraints, and other inventory write-offs. the LIFO reserve. Tariffs incurred during 2022 2023 were $3.1 million $2.2 million from China-sourced products as compared to $2.9 million $3.1 million in 2021. 2022. Most of the tariffs were recovered through price increases.

Gross margin as a percentage of sales was 24% in 2023 compared to 21% in 2022 compared to 23% in 2021. 2022. The decrease increase primarily reflects the combination impact of higher improved pricing and lower material and freight costs and other inventory write-offs. costs.

Product development expenses as a percentage of sales was 2.0% and 1.5% in 2023 and 1.6% in 2022, and 2021, respectively, as the Company continues on-going efforts to develop invest in new products at Eberhard, Velvac and Big 3 to better serve our customers.

Restructuring expenses of $0.7 million were recognized in 2022 due to a warehouse consolidation into Eberhard.

Selling and administrative expenses increased $4.3 million $4.7 million or 12% to $44.2 million in 2023 from $39.5 million in 2022 from $35.2 million in 2021. 2022. The increase primarily relates to increased payroll and payroll related costs, increased travel, severance and other accrued compensation expenses of $1.8 million related to the elimination of the chief operating officer position and the departure of our previous chief executive officer during the first quarter of 2023 and legal, professional, and selling costs and payroll-related expenses. The increase in selling expenses reflects our investments in sales capabilities and changes in management personnel.

Net income for 2022 2023 decreased 32% 22% to $8.6 million, or $1.37 per diluted share, from $11.1 million, or $1.77 per diluted share, from $16.2 million in 2022. In 2023, net income was negatively impacted by unfavorable pension cost adjustments of $1.1 million, or $2.58 per diluted share, $1.4 million expense associated with the closure of Associated Toolmakers Limited in 2021. the second quarter of 2023, and an unfavorable working capital adjustment of $0.4 million in the third quarter of 2023 related to the sale of the Greenwald business, partially offset by a $1.6 million favorable adjustment for the final settlement of our swap agreement with Santander in the second quarter of 2023. In 2022, net income was negatively impacted by favorable pension cost adjustments of $1.8 million, restructuring costs of $0.5 million, net of tax, related to a warehouse consolidation into Eberhard, and loss on sale of the Wheeling, IL building in the first quarter of 2022 of $0.2 million, net of tax, partially offset by a gain on sale of the Eastern corporate office building in the third quarter of 2022 of $0.5 million, net of tax. Net income for 2021 was positively impacted by a $1.4 million gain, net of tax, related to the sale of the Eberhard Hardware property in the first quarter, partially offset by factory relocation and start-up costs of $0.5 million, net of tax.

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Other Items

The following table shows the amount of change from the year ended January 1, 2022 December 31, 2022 to the year ended December 31, 2022 December 30, 2023 in other items (dollars in thousands):

	Amount	%	Amount	%
Interest expense	$ 528	30 %	$ 1,231	54 %
Other income	$ -859	-26 %	$ -3,197	-127 %
Income taxes	$ 464	15 %	$ -946	28 %

Interest expense increased in 2022 2023 from 2021 2022 due to increased interest rates.

Other income and expense in 2022 2023 decreased $0.9 million $3.2 million over 2021. 2022. Other income and expense in 2023 included an unfavorable $1.1 million pension cost adjustment, $1.4 million expense associated with the closure of Associated Toolmakers Limited in the second quarter of 2023, and an unfavorable working capital adjustment of $0.4 million in the third quarter of 2023 related to the sale of the Greenwald business, partially offset by a $1.6 million favorable adjustment for the final settlement of our swap agreement with Santander in the second quarter of 2023 and $0.7 million of other favorable items. In 2022, other income included a favorable $1.8 million pension cost adjustment, and a $0.6 million gain on the sale of the Eastern corporate office building. In 2021, building, and $0.4 million of other income included favorable items, partially offset by a favorable $1.5 million pension cost adjustment and a $1.8 million gain $0.3 million loss on the sale of the Eberhard Hardware property. Wheeling, IL building.

The effective tax rate for 2022 2023 was 23% 22% compared to the 2021 2022 effective tax rate of 7% 23%. The effective tax rate for 2022 was increased compared to 2021 due to the impact of foreign subsidiaries on the effective tax rate in 2021 and a greater impact from research and development tax credits in 2021. Total income taxes paid were $6.6 million in 2023 and $3.7 million in 2022 and $2.3 million in 2021. 2022.

Liquidity and Sources of Capital

The primary source of the Company's cash is earnings from operating activities adjusted for cash generated from or used for net working capital. The most significant recurring non-cash items included in net income are depreciation and amortization expense. Changes in working capital fluctuate with the changes in operating activities. As sales increase, there generally is an increased need for working capital. The Company closely monitors inventory levels and attempts to match production to expected market demand, keeping tight control over the collection of receivables, and optimizing payment terms on its trade and other payables. The maintenance of appropriate inventory levels considering demand has been and may continue to be challenged by supply chain disruptions, which have led in some cases to a deficiency inventory that has required us to pay expedited freight fees on some of our products to timely fulfill customer orders. Coupled with increased materials costs, this has decreased our margins. If these disruptions persist and we are unable to maintain sufficient inventory on hand, we may need to cancel or decline orders, and we may be unable to offset increased material and freight costs fully by increasing prices on our products, any of which could have a material adverse impact on our liquidity.

The Company is dependent on continued demand for its products and subsequent collection of accounts receivable from its customers. The Company serves a broad base of customers and industries with a variety of products. As a result, any fluctuations in demand or payment from a particular industry or customer should not have a material impact on the Company's sales and collection of receivables. Management expects that the Company's foreseeable cash needs for operations, capital expenditures, debt service and dividend payments will continue to be met in the next 12 months from December 30, 2023 and beyond by the Company's operating cash flows and available credit facility.

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The following table shows key financial ratios at the end of each fiscal year:

	2023	2022	2021
Current ratio	2.7 2.6	2.5 2.7	

Average days' sales in accounts receivable	**56 48**	64 56
Inventory turnover	**3.4 3.5**	3.0 3.4
Ratio of working capital to sales	**26.1 25.4 %**	27.2 26.1 %
Total debt to shareholders' equity	**50.7 33.2 %**	62.2 50.7 %

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The following table shows important liquidity measures as of the fiscal year-end balance sheet date for each of the preceding two years (in millions):

	2022	2021	2023	2022
Cash and cash equivalents				
- Held in the United States	**$ 7.4**	$ 4.3	**$ 7.0**	$ 7.4
- Held by foreign subsidiaries	**2.8**	2.3	**1.3**	2.8
	10.2	6.6	**8.3**	10.2
Working capital	**78.3**	74.1	**69.5**	78.3
Net cash (used in) provided by operating activities	**7.4**	(7.8)		
Change in working capital impact on net cash used in operating activities	**(5.2)**	(22.9)		
Net cash provided by (used in) in investing activities	**5.1**	13.6		
Net cash provided by operating activities			**26.5**	7.4
Change in working capital impact on net cash provided by (used in) operating activities			**9.7**	(5.2)
Net cash (used in) provided by in investing activities			**(5.4)**	5.1
Net cash used in by financing activities	**(11.8)**	(20.3)	**(22.9)**	(11.9)

All cash held by foreign subsidiaries is readily convertible into other currencies, including the U.S. dollar.

Net cash provided by operating activities was $7.4 million $26.5 million in 2022 2023 compared to $7.8 million $7.4 million net cash used in provided by operating activities in 2021. 2022. In 2022, 2023, the Company contributed $0.2 million $1.3 million to its defined benefit retirement plan.

In 2023, reductions in working capital requirements provided $9.7 million, driven primarily reductions in accounts receivable and inventory. In 2022, cash used to support additional working capital requirements was $5.2 million, which was primarily due to management's focus on ensuring availability of inventory to meet customer demands during the current supply chain constraints. In 2021, cash used to support additional working capital requirements was $22.9 million.

The Company provided $5.1 million and $13.6 million used $5.4 million for investing activities in 2022 2023, and 2021, respectively. investing activities provided $5.1 million in 2022. In 2023, the Company invested $6.4 million in capital expenditures, invested $1.0 million in marketable securities, acquired a business for $0.4 million, and received payments on notes receivable of $2.4 million. In 2022, the company Company sold a business associated with its discontinued operations for $5.8 million and two of its buildings for an aggregate of $2.2 million. The Company also issued a note receivable of $0.4 million as part of the sale of one of its buildings. In 2021, the company sold businesses associated with its discontinued operations for $17.3 million and one of its buildings for $1.7 million, the Company also issued a note receivable of $2.5 million as part of the sale of the discontinued operations. The Company issued notes receivable of $0.4 million as part of the sale of property. These transactions are more fully discussed in Note 2 – *Discontinued Operations* in Item 8, *Financial Statements* of this Form 10-K. The Company invested in capital expenditures of $6.4 million and $3.4 million in 2023 and $3.7 million in 2022, and 2021, respectively. Capital expenditures in fiscal year 2023 2024 are expected to be approximately $6.9 million $11.1 million.
In 2023, the Company made total debt payments of $79.7 million, of which $59.3 million was an accelerated principal payment and used $2.8 million for payment of dividends. The Company anticipates dividend payments in fiscal 2024 to be approximately $2.8 million. The Company has $30.0 million available on its revolving line of credit. See *Note 6 - Debt* in Item 8, *Financial Statements and Supplementary Data* for further discussion on the Company's debt facilities.

In 2022, the Company made total debt payments of $17.5 million, of which $10.0 million was a repayment of the $10.0 million that had been drawn under the revolving credit facility during 2022 and used $2.8 million for payment of dividends. The Company has $20.0 million available on its revolving line of credit. See *Note 6 - Debt* in Item 8, *Financial Statements* for further discussion on the Company's debt facilities.
In 2021, the Company made total debt payments of $17.3 million, of which $11.0 million was an accelerated principal payment, and used $2.8 million for payment of dividends. The Company did not draw down on its $20.0 million revolving credit facility in 2021.

The Company leases certain equipment and buildings under cancelable and non-cancelable operating leases that expire at various dates for up to five ten years. Rent expense expenses amounted to approximately $2.7 million $4.0 million in 2022 2023 and $2.3 million $3.3 million in 2021. 2022.

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On August 30, 2019 June 16, 2023, the Company entered into the Credit Agreement a credit agreement with Santander TD Bank, N.A., for itself, Wells Fargo Bank, Bank of America, and M&T Bank National Association and TD Bank, N.A. as lenders (the "Credit Agreement"), that included a $100.0 million $60 million term portion and a $20.0 million $30 million revolving commitment portion. Proceeds The proceeds of the term loan were used to repay the Company's remaining outstanding term loan (and and to terminate its existing credit facility) facility with M&T Santander Bank, N.A. (approximately $19.0 million) and to acquire Big 3 Precision. $59 million). The term loan portion of the loan required credit facility requires quarterly principal payments of $1.25 million for an 18-month period (i) $750,000 beginning December 31, 2019. The repayment amount then increased to $1.875 million per quarter on September 30, 2023 through June 30, 2025, (ii) $1,125,000 beginning September 30, 2021 on September 30, 2025 through June 30, 2027, and continues (iii) $1,500,000 beginning on September 30, 2027 through June 30, 2023. The repayment amount then increases to $2.5 million per quarter beginning September 30, 2023 March 31, 2028, and continues through June 30, 2024. The with the balance of the term loan is a five-year loan with payable on the remaining maturity date of June 16, 2028. Amounts outstanding under the revolving portion of the credit facility are generally due and payable on June 16, 2028, the expiration date of the Credit Agreement. The Company can elect to prepay some or all the outstanding balance due on August 30, 2024. The revolving commitment portion has an annual from time to time without penalty. A commitment fee of 0.25% based is payable on the unused portion of the revolver. revolving credit facility based on the Company's consolidated ratio of net debt to adjusted EBITDA from time to time. Currently, the commitment fee is 0.30%.

The revolving commitment portion has term loan bears interest at a maturity date of August 30, 2024. The interest rates variable rate based on the term and secured overnight financing rate ("SOFR"), plus an adjustment of ten basis points, plus an applicable margin of 1.875% to 2.625%, depending on the Company's senior net leverage ratio. Borrowings under the revolving credit portion bear interest at a variable rate based on, at the Company's election, a base rate plus an applicable margin of the Credit Agreement vary. The interest rates may vary 0.875% to 1.625% or term SOFR, plus an adjustment of ten basis points, plus an applicable margin of 1.875% to 2.625%, with such margins determined based on the LIBOR rate plus a margin spread of 1.25% to 2.25%. Company's senior net leverage ratio. The Company's obligations under the Credit Agreement are secured by a lien on certain of the Company's and its subsidiaries' assets pursuant to a Pledge and Security Agreement, dated as of August 30, 2019 June 16, 2023, with Santander TD Bank, N.A., as administrative agent.

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The Company's loan covenants under the Credit Agreement require the Company to maintain a senior net leverage ratio not to exceed 4.25 3.5 to 1. In addition, the Company is required to maintain a fixed charge coverage ratio to be not less than 1.25 to 1.

On August 30, 2019, A decrease in earnings due to the Company entered into impact of current economic conditions and inflationary pressures or the resulting harm to the financial condition of our customers, or an interest rate swap contract with Santander Bank, N.A., with an original notional amount increase in indebtedness incurred to offset such a decrease in earnings, would have a negative impact on our senior net leverage ratio and our fixed charge coverage ratio, which in turn would increase the cost of $50.0 million, which was equal to 50% of the outstanding balance of the term loan on that date. The Company has a fixed interest rate of 1.44% on the swap contract and will pay the difference between the fixed rate and LIBOR when LIBOR is below 1.44% and will receive interest when LIBOR exceeds 1.44%. On December 31, 2022, the interest rate for half ($24.0 million) of the term portion was 6.1%, using a one-month LIBOR rate, and 3.19% on the remaining balance ($40.0 million) of the term loan based on a one-month LIBOR rate.

The interest rates on borrowing under the Credit Agreement and interest rate swap contract are susceptible could cause us to that fail to comply with the transition from LIBOR to alternative benchmark rates such as SOFR. Information regarding this transition is provided below. covenants under our Covenant Agreement.

Central banks around the world, including the FRB, are working In addition to implement the transition from the London Interbank Offered Rate ("LIBOR") funding capital requirements, we may use available cash to replacement benchmarks including the Secured Overnight Financing Rate ("SOFR") pay down our indebtedness, to make investments, which may include investments in the United States. The ICE Benchmark Administration (the "IBA") ceased publication of all settings of non-US dollar LIBOR and the one-week and two-month U.S. dollar LIBOR settings on December 31, 2021, with the publication publicly traded securities, or to make acquisitions that we believe will complement or expand our existing businesses.

As of the remaining U.S. dollar LIBOR settings scheduled to be discontinued after June 30, 2023. The Adjustable Interest Rate Act (the "LIBOR Act"), which was signed into law on March 15, 2022, provided a replacement framework for outstanding financial contracts tied to LIBOR once LIBOR ceases to be published. The LIBOR Act provides a statutory mechanism and safe harbor that applies on a nationwide basis to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The LIBOR Act preempts and supersedes any state or local law, statute, rule, regulation, or standard relating to the selection or use of a benchmark replacement or related changes and allows parties that already have effective fallback provisions to opt out end of the legislation. On December 16, 2022, fourth quarter of 2023, the Federal Reserve adopted Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a final rule implementing material current or future effect on the LIBOR Act that, among other things, identifies the applicable SOFR-based benchmark replacements under the LIBOR Act for various contact types. The difference between LIBOR and SOFR is that LIBOR is a forward-looking rate which means the interest rate is set at the beginning of the period with payment due at the end. SOFR is a backward-looking overnight rate which has implications for how interest and other payments are based. The change from LIBOR to SOFR may adversely affect interest rates and result Company's financial condition, changes in higher borrowing costs. The effect of this change is still unknown and could materially and adversely affect the Company's financial condition, revenues or expenses, results of operations, cash flows and liquidity. liquidity, capital expenditures or capital resources.

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Non-GAAP Financial Measures

The non-GAAP financial measures we provide in this report should be viewed in addition to, and not as an alternative for, results prepared in accordance with U.S. GAAP.

To supplement the consolidated financial statements prepared in accordance with U.S. GAAP, we have presented Adjusted Net Income from Continuing Operations, Adjusted Earnings Per Share from Continuing Operations and Adjusted EBITDA from Continuing Operations, which are considered non-GAAP financial measures. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures in the same way. These measures are not substitutes for their comparable U.S. GAAP financial measures, such as net sales, net income from continuing operations, diluted earnings per share from continuing operations, or other measures prescribed by U.S. GAAP, and there are limitations to using non-GAAP financial measures.

Adjusted Net Income from Continuing Operations is defined as net income from continuing operations excluding, when incurred, gains or losses that we do not believe reflect our ongoing operations, including, for example, the impacts of impairment losses, gains/losses on the sale of subsidiaries, property and facilities, transaction expenses primarily relating to acquisitions and divestitures, factory start-up costs, factory relocation expenses, executive severance, and restructuring costs. Adjusted Net Income from Continuing Operations is a tool that can assist management and investors in comparing our performance on a consistent basis across periods by removing the impact of certain items that management believes do not directly reflect our underlying operating performance.

Adjusted Earnings Per Share from Continuing Operations is defined as earnings per share from continuing operations excluding, when incurred, certain per share gains or losses that we do not believe reflect our ongoing operations, including, for example, the impacts of impairment losses, gains/losses on the sale of subsidiaries, property and facilities, transaction expenses primarily relating to acquisitions and divestitures, factory start-up costs, factory relocation expenses, executive severance, and restructuring costs. We believe that Adjusted Earnings Per Diluted Share from Continuing Operations provides important comparability of underlying operational results, allowing investors and management to access operating performance on a consistent basis from period to period.

Adjusted EBITDA from Continuing Operations is defined as net income from continuing operations before interest expense, provision for income taxes, and depreciation and amortization and excluding, when incurred, the impacts of certain losses or gains that we do not believe reflect our ongoing operations, including, for example, impairment losses, gains/losses on sale of subsidiaries, property and facilities, transaction expenses primarily relating to acquisitions and divestitures, factory start-up costs, factory relocation expenses, executive severance, and restructuring expenses. Adjusted EBITDA from Continuing Operations is a tool that can assist management and investors in comparing our performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our underlying operations.

Management uses such measures to evaluate performance period over period, to analyze the underlying trends in our business, to assess our performance relative to our competitors, and to establish operational goals and forecasts that are used in allocating resources. These financial measures should not be considered in isolation from, or as a replacement for, U.S. GAAP financial measures.

We believe that presenting non-GAAP financial measures in addition to U.S. GAAP financial measures provides investors greater transparency to the information used by our management for its financial and operational decision-making. We further believe that providing this information better enables our investors to understand our operating performance and to evaluate the methodology used by management to evaluate and measure such performance.

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Reconciliation of Non-GAAP Measures

Adjusted Net Income and Adjusted Earnings per Share from Continuing Operations Calculation

For the Three and Twelve Months ended December 30, 2023 and December 31, 2022

($000's)

	Three Months Ended		Twelve Months Ended	
	December 30, 2023	December 31, 2022	**December 30, 2023**	December 31, 2022
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 3,517**	$ 167	**$ 8,585**	$ 11,050

Earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):				
Basic	**0.57**	0.03	**1.38**	1.78
Diluted	**0.56**	0.03	**1.37**	1.77
Adjustments:				
Loss on sale of Wheeling, IL building	**-**	-	**-**	269 A
Gain on sale of corporate office building	**-**	-	**-**	(624) B
Restructuring costs	**-**	700 C	**-**	700 C
Severance and accrued compensation	**-**	-	**1,799** D	-
Greenwald final sale adjustment	**-**	-	**390** E	-
Business closure costs	**-**	-	**1,448** F	-
Non-GAAP tax impact of adjustments (1)	**-**	(175)	**(909)**	(92)
Total adjustments	**-**	525	**2,728**	253
Adjusted net income from continuing operations (Non-GAAP)	**$ 3,517**	$ 692	**$ 11,313**	$ 11,303
Adjusted earnings per share from continuing operations (Non-GAAP):				
Basic	**$ 0.57**	$ 0.11	**$ 1.82**	$ 1.82
Diluted	**$ 0.56**	$ 0.11	**$ 1.81**	$ 1.81

(1) Estimate of the tax effect of the items identified to determine a non-GAAP annual effective tax rate applied to the pretax amount in order to calculate the non-GAAP provision for income tax

A) Loss on sale of ILC building in Wheeling, IL

B) Gain on sale of Eastern corporate office building

C) Restructuring costs associated with warehouse consolidation into Eberhard

D) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer

E) Final settlement of working capital adjustment associated with Greenwald sale

F) Associated Toolmakers Limited closure costs

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Reconciliation of Non-GAAP Measures

Adjusted Net Income and Adjusted Earnings per Share from Continuing Operations Calculation

For the Three and Twelve Months ended December 31, 2022 and January 1, 2022

($000's)

	Three Months Ended		**Twelve Months Ended**	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 167**	$ 3,913	**$ 11,050**	$ 16,182
Earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):				
Basic	**0.03**	0.62	**1.78**	2.58
Diluted	**0.03**	0.62	**1.77**	2.58
Adjustments:				
Gain on sale of Eberhard Hardware Ltd building, net of tax				(1,353) A
Factory relocation, net of tax				105 B
Factory start-up costs, net of tax		161 C		348 C
Loss on sale of Wheeling, IL building, net of tax			**202** D	

Gain on sale of Eastern corporate office building, net of tax			**(474)**	E
Restructuring costs, net of tax	**525**	F	**525**	F
Total adjustments	**525**	161	**253**	(900)
Adjusted net income from continuing operations (Non-GAAP)	**$ 692**	$ 4,074	**$ 11,303**	$ 15,282
Adjusted earnings per share from continuing operations (Non-GAAP):				
Basic	**$ 0.11**	$ 0.65	**$ 1.82**	$ 2.44
Diluted	**$ 0.11**	$ 0.65	**$ 1.81**	$ 2.44

A) Gain on sale of Eberhard Hardware Ltd property

B) Costs incurred on relocation of ILC facility in Wheeling, IL

C) Costs incurred on start-up of Eberhard factory in Reynosa, MX

D) Loss on sale of ILC building in Wheeling, IL

E) Gain on sale of Eastern corporate office building

F) Restructuring costs associated with warehouse consolidation into Eberhard

Reconciliation of Non-GAAP Measures

Adjusted EBITDA from Continuing Operations Calculation

For the Three and Twelve Months ended December 30, 2023 and December 31, 2022

($000's)

	Three Months Ended		Twelve Months Ended	
	December 30, 2023	December 31, 2022	**December 30, 2023**	December 31, 2022
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 3,517**	$ 167	**$ 8,585**	$ 11,050
Interest expense	**932**	692	**3,507**	2,276
Provision for income taxes	**728**	(146)	**2,407**	3,352
Depreciation and amortization	**1,995**	1,846	**7,466**	7,235
Loss on sale of Wheeling, IL building	**-**	-	**-**	269 A
Gain on sale of Eastern corporate office building	**-**	-	**-**	(624) B
Restructuring costs	**-**	700 C	**-**	700 C
Severance and accrued compensation	**-**	-	**1,799** D	-
Greenwald final sale adjustment	**-**	-	**390** E	-
Business closure costs	**-**	-	**1,448** F	-
Adjusted EBITDA from continuing operations (Non-GAAP)	**$ 7,172**	$ 3,259	**$ 25,602**	$ 24,258

A) Loss on sale of ILC building in Wheeling, IL

B) Gain on sale of Eastern corporate office building

C) Restructuring costs associated with warehouse consolidation into Eberhard

D) Severance expenses associated with accrued compensation and severance related to the elimination of the Chief Operating Officer position and the departure of the former Chief Executive Officer

E) Final settlement of working capital adjustment associated with Greenwald sale

F) Associated Toolmakers Limited closure costs

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Reconciliation of Non-GAAP Measures

Adjusted EBITDA from Continuing Operations Calculation

For the Three and Twelve Months ended December 31, 2022 and January 1, 2022

($000's)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 167**	$ 3,913	**$ 11,050**	$ 16,182
Interest expense	**692**	359	**2,276**	1,748
Provision for income taxes	**(146)**	(802)	**3,352**	2,771
Depreciation and amortization	**1,846**	2,052	**7,235**	7,241
Gain on sale of Eberhard Hardware Ltd building				(1,841) A
Factory relocation				139 B
Factory start-up costs		215 C		465 C
Loss on sale of Wheeling, IL building			**269** D	
Gain on sale of Eastern corporate office building			**(624)** E	
Restructuring costs	**700** F		**700** F	
Adjusted EBITDA from continuing operations (Non-GAAP)	**$ 3,259**	$ 5,737	**$ 24,258**	$ 26,708

A) Gain on sale of Eberhard Hardware Ltd property

B) Costs incurred on relocation of ILC facility in Wheeling, IL

C) Costs incurred on start-up of Eberhard factory in Reynosa, MX

D) Loss on sale of ILC building in Wheeling, IL

E) Gain on sale of Eastern corporate office building

F) Restructuring costs associated with warehouse consolidation into Eberhard

ITEM 7AQUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of the Company's status as a smaller reporting company pursuant to Rule 12b-2 of the Exchange Act, the Company is not required to provide information under this Item 7A.

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ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Eastern Company

Consolidated Balance Sheets

	December 31, 2022	January 1, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 10,187,522**	$ 6,168,304
Accounts receivable, less allowances: 2022-$677,000; 2021-$515,000	**42,886,250**	43,151,500
Inventories:		
Raw materials and component parts	**25,924,696**	25,113,487
Work in process	**9,323,082**	9,636,009
Finished goods	**29,388,813**	28,112,846
	64,636,591	62,862,342

Current portion of note receivable	**1,006,421**	1,027,125
Prepaid expenses and other assets	**6,598,774**	6,943,691
Current assets held for sale	**-**	3,521,899
Total Current Assets	**125,315,558**	123,674,861
Property, Plant and Equipment		
Land	**824,344**	1,292,890
Buildings	**14,360,165**	16,318,957
Machinery and equipment	**40,928,380**	39,323,233
Accumulated depreciation	**(30,000,797)**	(28,631,329)
Property, Plant and Equipment, net	**26,112,092**	28,303,751
Other Assets		
Goodwill	**70,777,459**	72,211,873
Trademarks	**5,514,886**	5,409,720
Patents, technology and other intangibles net of accumulated amortization	**18,819,897**	22,863,497
Long term note receivable, less current portion	**2,276,631**	2,726,698
Deferred income taxes	**488,989**	-
Right of Use Assets	**12,217,521**	11,138,535
Total Other Assets	**110,095,383**	114,350,323
TOTAL ASSETS	**$ 261,523,033**	$ 266,328,935

See accompanying notes.

	December 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 8,299,453**	$ 10,187,522
Marketable Securities	**986,477**	-
Accounts receivable, less allowances: 2023-$564,816; 2022-$676,678	**37,057,488**	42,886,250
Inventories:		
Raw materials and component parts	**24,500,087**	25,924,696
Work in process	**9,957,068**	9,323,082
Finished goods	**24,815,052**	29,388,813
	59,272,207	64,636,591
Current portion of note receivable	**573,269**	1,006,421
Prepaid expenses and other assets	**6,047,814**	6,598,774
Total Current Assets	**112,236,708**	125,315,558
Property, Plant and Equipment		
Land	**824,344**	824,344
Buildings	**14,243,082**	14,360,165
Machinery and equipment	**45,202,670**	40,928,380
Accumulated depreciation	**(31,980,335)**	(30,000,797)
Property, Plant and Equipment, net	**28,289,761**	26,112,092
Other Assets		
Goodwill	**70,776,893**	70,777,459
Trademarks	**5,514,960**	5,514,886

Patents, technology and other intangibles net of accumulated amortization	**15,325,927**	18,819,897
Long term note receivable, less current portion	**374,932**	2,276,631
Deferred income taxes	**2,283,571**	488,989
Right of Use Assets	**17,236,449**	12,217,521
Total Other Assets	**111,512,732**	110,095,383
TOTAL ASSETS	**$ 252,039,201**	$ 261,523,033

See accompanying notes.

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	December 31, 2022	January 1, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 27,638,317**	$ 29,633,974
Accrued compensation	**3,327,832**	4,375,867
Other accrued expenses	**3,944,964**	4,808,000
Current portion of lease liability	**3,059,547**	2,664,895
Current portion of long-term debt	**9,010,793**	7,500,000
Current liabilities held for sale	**-**	580,990
Total Current Liabilities	**46,981,453**	49,563,726
Deferred income taxes	**-**	1,151,759
Other long-term liabilities	**754,762**	668,354
Lease liability	**9,195,205**	8,639,339
Long-term debt, less current portion	**55,136,231**	63,813,522
Accrued postretirement benefits	**666,222**	1,284,589
Accrued pension cost	**22,174,465**	26,605,382
Total Liabilities	**134,908,338**	151,726,671
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value, Authorized: 50,000,000 shares Issued: 9,056,421 shares in 2022 and 9,029,852 shares in 2021		
Outstanding: 6,221,976 shares in 2022 and 6,265,527 shares in 2021	**33,586,165**	32,620,008
Treasury Stock: 2,834,445 shares in 2022 and 2,765,325 shares in 2021	**(22,544,684)**	(20,907,613)
Retained earnings	**138,985,852**	129,422,625
Accumulated other comprehensive loss:		
Foreign currency translation	**(1,140,978)**	818,446
Unrealized (loss) gain on interest rate swap, net of tax	**1,449,754**	(355,988)
Unrecognized net pension and postretirement benefit costs, net of tax	**(23,721,414)**	(26,995,214)
Accumulated other comprehensive loss	**(23,412,638)**	(26,532,756)
Total Shareholders' Equity	**126,614,695**	114,602,264
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 261,523,033**	$ 266,328,935

See accompanying notes.

	December 30, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 25,319,473**	$ 27,638,317
Accrued compensation	**5,379,381**	3,327,832
Other accrued expenses	**4,556,623**	3,944,964
Current portion of operating lease liability	**4,424,369**	3,059,547
Current portion of financing lease liability	**182,010**	-
Current portion of long-term debt	**2,871,870**	9,010,793
Total Current Liabilities	**42,733,726**	46,981,453
Other long-term liabilities	**640,724**	754,762
Operating lease liability, less current portion	**12,812,079**	9,195,205
Financing lease liability, less current portion	**728,100**	-
Long-term debt, less current portion	**41,063,865**	55,136,231
Accrued postretirement benefits	**554,758**	666,222
Accrued pension cost	**21,025,365**	22,174,465
Total Liabilities	**119,558,617**	134,908,338
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value, Authorized: 50,000,000 shares		
Issued: 9,091,815 shares in 2023 and 9,056,421 shares in 2022		
Outstanding: 6,217,370 shares in 2023 and 6,221,976 shares in 2022	**33,950,859**	33,586,165
Treasury Stock: 2,874,445 shares in 2023 and 2,834,445 shares in 2022	**(23,280,467)**	(22,544,684)
Retained earnings	**144,805,168**	138,985,852
Accumulated other comprehensive loss:		
Foreign currency translation	**(866,599)**	(1,140,978)
Unrealized gain on interest rate swap, net of tax	**-**	1,449,754
Unrecognized net pension and postretirement benefit costs, net of tax	**(22,128,377)**	(23,721,414)
Accumulated other comprehensive loss	**(22,994,976)**	(23,412,638)
Total Shareholders' Equity	**132,480,584**	126,614,695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 252,039,201**	$ 261,523,033

See accompanying notes.

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The Eastern Company

Consolidated Statements of Income

	Year Ended

	December 31, 2022	January 1, 2022
Net sales	**$ 279,265,146**	$ 246,522,823
Cost of products sold	**(220,648,900)**	(189,756,610)
Gross margin	**58,616,246**	56,766,213
Product development expense	**(4,241,211)**	(4,101,399)
Selling and administrative expenses	**(39,508,849)**	(35,218,028)
Restructuring costs	**(699,868)**	-
Operating profit	**14,166,318**	17,446,786
Interest expense	**(2,275,612)**	(1,747,723)
Other income	**2,512,211**	3,371,497
Income from continuing operations before income taxes	**14,402,917**	19,070,560
Income taxes	**(3,352,456)**	(2,888,217)
Net income from continuing operations	**$ 11,050,461**	$ 16,182,343
Discontinued Operations (see note 2)		
Gain from operations of discontinued units	**$ 1,360,773**	$ 2,870,588
Gain (loss) on sale of businesses	**305,539**	(11,807,512)
Income tax (expense) benefit	**(414,855)**	2,103,752
Net gain (loss) on discontinued operations	**$ 1,251,457**	$ (6,833,172)
Net Income	**$ 12,301,918**	$ 9,349,171
Earnings per share from continuing operations:		
Basic	**$ 1.78**	$ 2.58
Diluted	**$ 1.77**	$ 2.58
Gain (loss) per share from discontinued operations:		
Basic	**$ 0.20**	$ (1.09)
Diluted	**$ 0.20**	$ (1.09)
Total earnings per share:		
Basic	**$ 1.98**	$ 1.49
Diluted	**$ 1.97**	$ 1.49
Cash dividends per share:	**$ 0.44**	$ 0.44

See accompanying notes.

	Year Ended	
	December 30, 2023	December 31, 2022
Net sales	**$ 273,454,857**	$ 279,265,146
Cost of products sold	**(208,501,713)**	(220,648,900)
Gross margin	**64,953,144**	58,616,246

Product development expense	**(5,592,355)**	(4,241,211)
Selling and administrative expenses	**(44,177,459)**	(39,508,849)
Restructuring costs	**-**	(699,868)
Operating profit	**15,183,330**	14,166,318
Interest expense	**(3,506,598)**	(2,275,612)
Other (expense) income	**(684,790)**	2,512,211
Income from continuing operations before income taxes	**10,991,942**	14,402,917
Income taxes	**(2,406,940)**	(3,352,456)
Net income from continuing operations	**$ 8,585,002**	$ 11,050,461
Discontinued Operations (see note 2)		
Gain from operations of discontinued units	**$ -**	$ 1,360,773
Gain (loss) on sale of businesses	**-**	305,539
Income tax (expense) benefit	**-**	(414,855)
Net gain (loss) on discontinued operations	**$ -**	$ 1,251,457
Net Income	**$ 8,585,002**	$ 12,301,918
Earnings per share from continuing operations:		
Basic	**$ 1.38**	$ 1.78
Diluted	**$ 1.37**	$ 1.77
Gain (loss) per share from discontinued operations:		
Basic	**$ -**	$ 0.20
Diluted	**$ -**	$ 0.20
Total earnings per share:		
Basic	**$ 1.38**	$ 1.98
Diluted	**$ 1.37**	$ 1.97
Cash dividends per share:	**$ 0.44**	$ 0.44

See accompanying notes.

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The Eastern Company

Consolidated Statements of Comprehensive Income

	Year Ended	
	December 31, 2022	January 1, 2022

Net income	**$ 12,301,918**	$ 9,349,171
Other comprehensive income:		
Change in foreign currency translation	**(1,959,424)**	(135,418)
Change in fair value of interest rate swap, net of tax cost of: $531,425 in 2022 and $327,118 in 2021	**1,805,742**	1,035,604
Change in pension and other postretirement benefit costs, net of taxes of: $941,964 in 2022 and $1,208,497 in 2021	**3,273,800**	2,063,809
Total other comprehensive income	**3,120,118**	2,963,995
Comprehensive income	**$ 15,422,036**	$ 12,313,166

See accompanying notes.

	Year Ended	
	December 30, 2023	December 31, 2022
Net income	**$ 8,585,002**	$ 12,301,918
Other comprehensive income:		
Change in foreign currency translation	**274,379**	(1,959,424)
Change in fair value of interest rate swap, net of tax cost of: $(426,659) in 2023 and $531,425 in 2022	**(1,449,754)**	1,805,742
Change in pension and other postretirement benefit costs, net of taxes of: $307,548 in 2023 and $941,964 in 2022	**1,593,037**	3,273,800
Total other comprehensive income	**417,662**	3,120,118
Comprehensive income	**$ 9,002,664**	$ 15,422,036

See accompanying notes.

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The Eastern Company

Consolidated Statements of Shareholders' Equity

	Common Shares	Common Stock	Treasury Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balances at January 2, 2021	8,996,625	$ 31,501,041	(2,749,729)	($20,537,963)	$ 122,840,131	($29,496,751)	$ 104,306,458
Net income					9,349,171		9,349,171
Cash dividends declared, $0.44 per share					(2,766,677)		(2,766,677)
Currency translation adjustment						(135,418)	(135,418)
Change in fair value of interest rate swap						1,035,604	1,035,604
Change in pension and other postretirement benefit costs, net of tax						2,063,809	2,063,809
Stock Options Exercised	14,681	196,950					196,950
Treasury Stock Purchase			(14,596)	(369,650)			(369,650)
Issuance of SARS		418,000					418,000
Issuance of Common Stock for directors' fees	18,546	504,017					504,017
Balances at January 1, 2022	9,029,852	$ 32,620,008	(2,764,325)	($20,907,613)	$ 129,422,625	($26,532,756)	$ 114,602,264

Net income					12,301,918		12,301,918
Cash dividends declared, $0.44 per share					(2,738,691)		(2,738,691)
Currency translation adjustment						(1,959,424)	(1,959,424)
Change in fair value of interest rate swap						1,805,742	1,805,742
Change in pension and other postretirement benefit costs, net of tax						3,273,800	3,273,800
Stock Options Exercised	1,370	(58,515)					(58,515)
Treasury Stock Purchase			(70,120)	(1,637,071)			(1,637,071)
Issuance of SARS		504,694					504,694
Issuance of Common Stock for directors' fees	25,199	519,978					519,978
Balances at December 31, 2022	9,056,421	$ 33,586,165	(2,834,445)	($22,544,684)	$ 138,985,852	($23,412,638)	$ 126,614,695

	Common Shares	Common Stock Amount	Treasury Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balances at January 1, 2022	9,029,852	$ 32,620,008	(2,764,325)	$ (20,907,613)	$ 129,422,625	$ (26,532,756)	$ 114,602,264
Net income					12,301,918		12,301,918
Cash dividends declared, $0.44 per share					(2,738,691)		(2,738,691)
Currency translation adjustment						(1,959,424)	(1,959,424)
Change in fair value of interest rate swap						1,805,742	1,805,742
Change in pension and other postretirement benefit costs, net of tax						3,273,800	3,273,800
Stock Options Exercised	1,370	(58,515)					(58,515)
Treasury Stock Purchase			(70,120)	(1,637,071)			(1,637,071)
Issuance of SARS		504,694					504,694
Issuance of Common Stock for directors' fees	25,199	519,978					519,978
Balances at December 31, 2022	9,056,421	$ 33,586,165	(2,834,445)	$ (22,544,684)	$ 138,985,852	$ (23,412,638)	$ 126,614,695
Net income					8,585,002		8,585,002
Cash dividends declared,$0.44 per share					(2,765,686)		(2,765,686)
Currency translation adjustment						274,379	274,379
Change in fair value of interest rate swap						(1,449,754)	(1,449,754)
Change in pension and other postretirement benefit costs, net of tax						1,593,037	1,593,037
Stock Options Exercised							-
Treasury Stock Purchase			(40,000)	(735,783)			(735,783)
Issuance of stock awards, net	7,175	(163,453)					(163,453)
Issuance of Common Stock for directors' fees	28,219	528,147					528,147
Balances at December 30, 2023	9,091,815	$ 33,950,859	(2,874,445)	$ (23,280,467)	$ 144,805,168	$ (22,994,976)	$ 132,480,584

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Consolidated Statements of Cash Flows

	Year Ended December 31, 2022	January 1, 2022
Operating Activities		
Net income	**$ 12,301,918**	$ 9,349,171
Less: Gain (loss) from discontinued operations	**1,251,457**	(6,833,172)
Income from continuing operations	**$ 11,050,461**	$ 16,182,343
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**7,235,143**	7,241,073
Unrecognized pension and postretirement benefits	**(3,575,749)**	(4,032,917)
Gain on sale of equipment and other assets	**(274,238)**	(2,470,339)
Provision for doubtful accounts	**207,040**	73,097
Stock compensation expense	**966,157**	1,118,967
Deferred taxes	**(3,047,762)**	(3,010,111)
Changes in operating assets and liabilities:		
Accounts receivable	**(1,075,218)**	(11,282,090)
Inventories	**(5,298,977)**	(19,608,565)
Prepaid expenses and other	**(293,348)**	(3,527,171)
Other assets	**193,784**	(519,478)
Accounts payable	**(1,741,258)**	8,834,545
Accrued compensation	**(923,146)**	947,171
Other accrued expenses	**3,905,457**	2,296,052
Net cash provided by (used in) operating activities	**7,328,346**	(7,757,423)
Investing Activities		
Marketable securities	**—**	28,951
Business disposition	**—**	2,325
Issuance of notes receivable	**(400,000)**	(2,500,000)
Payments received from notes receivable	**870,771**	821,868
Proceeds from sale of businesses	**5,814,019**	17,030,726
Proceeds from sale of building and equipment	**2,171,073**	1,980,729
Purchases of property, plant and equipment	**(3,365,594)**	(3,719,815)
Net cash provided by investing activities	**5,090,269**	13,644,784
Financing Activities		
Proceeds from issuance of long-term debt and notes payable	**260,793**	—
Proceeds from short term borrowings (revolver)	**10,000,000**	—
Principal payments on long-term debt	**(17,505,501)**	(17,274,410)
Financing leases, net	**(155,386)**	126,797
Purchase common stock for treasury	**(1,637,072)**	(369,651)
Dividends paid	**(2,738,691)**	(2,755,686)
Net cash used in financing activities	**(11,775,857)**	(20,272,950)
Discontinued Operations		
Cash provided by (used in) operating activities	**3,135,874**	5,733,884

Cash used in investing activities	**—**	(1,022,256)
Cash provided by discontinued operations	**3,135,874**	4,711,628
Effect of exchange rate changes on cash	**(193,540)**	174,756
Net change in cash and cash equivalents	**3,585,092**	(9,499,205)
Cash and cash equivalents at beginning of period	**6,602,430**	16,101,635
Cash and cash equivalents at end of period [1]	**$ 10,187,522**	$ 6,602,430
Supplemental disclosure of cash flow information:		
Interest	**$ 2,502,883**	$ 2,271,818
Income taxes	**3,679,678**	2,318,018
Non-cash investing and financing activities		
Right of use asset	**1,078,986**	(1,456,128)
Lease liability	**(950,518)**	1,329,331

[1] *includes cash from assets held for sale of $0.4 million as of January 1, 2022*

See accompanying notes

The Eastern Company

Consolidated Statements of Cash Flows

	Year Ended	
	December 30, 2023	December 31, 2022
Operating Activities		
Net income	**$ 8,585,002**	$ 12,301,918
Less: Gain from discontinued operations	**-**	1,251,457
Income from continuing operations	**$ 8,585,002**	$ 11,050,461
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**7,466,483**	7,235,143
Reduction in carrying amount of ROU assets	**(3,522,981)**	(2,918,468)
Change in operating lease liability	**3,560,612**	3,046,936
Unrecognized pension and postretirement benefits	**47,550**	(3,575,749)
Loss (gain) on sale of equipment and other assets	**1,327,649**	(274,238)
Provision for doubtful accounts	**62,893**	207,040
Stock compensation expense	**364,694**	966,157
Deferred taxes	**(1,124,895)**	(3,047,762)
Changes in operating assets and liabilities:		
Accounts receivable	**5,774,371**	(1,075,218)
Inventories	**6,024,489**	(5,298,977)
Prepaid expenses and other	**427,470**	(293,348)
Other assets	**356,636**	193,784
Accounts payable	**(2,186,244)**	(1,741,258)
Accrued compensation	**616,996**	(923,146)
Other accrued expenses	**(1,298,663)**	3,905,457
Net cash provided by operating activities	**26,482,062**	7,456,814
Investing Activities		
Marketable securities	**(986,477)**	-
Business acquisition	**(444,840)**	-
Issuance of notes receivable	**-**	(400,000)
Payments received from notes receivable	**2,435,394**	870,771

Proceeds from sale of businesses	-	5,814,019
Proceeds from sale of building and equipment	-	2,171,073
Purchases of property, plant and equipment	**(6,434,375)**	(3,365,594)
Net cash (used in) provided by investing activities	**(5,430,298)**	5,090,269
Financing Activities		
Proceeds from issuance of long-term debt and notes payable	-	260,793
Proceeds from short term borrowings (revolver)	-	10,000,000
Principal payments on short-term borrowings (revolver)	**(300,029)**	-
Proceeds from new long-term debt refinancing	**60,000,000**	-
Principal payments on long-term debt	**(79,737,707)**	(17,505,501)
Financing leases, net	**636,927**	(283,854)
Purchase common stock for treasury	**(735,783)**	(1,637,072)
Dividends paid	**(2,765,686)**	(2,738,691)
Net cash used in financing activities	**(22,902,278)**	(11,904,325)
Discontinued Operations		
Cash provided by operating activities	-	3,135,874
Cash provided by discontinued operations	-	3,135,874
Effect of exchange rate changes on cash	**(37,555)**	(193,540)
Net change in cash and cash equivalents	**(1,888,069)**	3,585,092
Cash and cash equivalents at beginning of year	**10,187,522**	6,602,430
Cash and cash equivalents at end of year	**$ 8,299,453**	$ 10,187,522
Supplemental disclosure of cash flow information:		
Interest	**$ 3,388,347**	$ 2,502,883
Income taxes	**6,608,084**	3,679,678
Non-cash investing and financing activities		
Right of use asset	**5,018,928**	1,078,986
Lease liability	**(4,981,697)**	(950,518)

See accompanying notes

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The Eastern Company

Notes to Consolidated Financial Statements

1.Description of Business DESCRIPTION OF BUSINESS

The Eastern Company, and its subsidiaries (the “Company,” “Eastern,” “we,” “us” or “our”) manages manage industrial businesses that design, manufacture and sell engineered solutions to industrial markets. Eastern’s businesses operate in industries with long-term macroeconomic growth opportunities. We look to acquire businesses that produce stable and growing earnings and cash flows. Eastern may pursue acquisitions in industries other than those in which its businesses currently operate if an acquisition presents an attractive opportunity.

Eastern manages the financial, operational, and strategic performance of its businesses to increase cash generation, operating earnings, and long-term shareholder value.

Eastern encompasses four operating entities within the United States, one wholly owned Canadian subsidiary located in Cambridge, Ontario, Canada, a wholly owned Taiwanese subsidiary located in Taipei, Taiwan, a wholly owned subsidiary in Hong Kong, two wholly owned Chinese subsidiaries (one located in Shanghai, China, and one located in Dongguan, China), and a wholly owned subsidiary in Reynosa, Mexico Mexico.

The Eastern Company has one reportable segment: Engineered Solutions. The Engineered Solutions segment provides engineered solutions to support our customer's needs primarily in the commercial transportation and a wholly owned subsidiary logistics markets. The Chief Operating Decision Maker (CODM) uses both segment gross profit and segment profit or loss from operations before interest and income taxes to allocate resources (including employees, property, and financial or capital resources) for the Engineered Solutions segment predominantly in Wrexham, United Kingdom. the annual budget and forecasting process.

Company Operations

The Company's operations consist Engineered Solutions segment consists of Big 3 Precision, including Big 3 Precision Products, Inc. ("Big 3 Products") and Big 3 Mold Services, Inc. ("Big 3 Mold"), and Hallink Moulds, Inc. ("Hallink Moulds"), and Associated Toolmakers Ltd. ("Associated Toolmakers"); Eberhard Manufacturing Company ("Eberhard Manufacturing"), Eberhard Hardware Manufacturing Ltd. ("Eberhard Hardware"), Eastern Industrial Ltd, World Lock Company Ltd., Dongguan Reeworld Security Products Ltd., and World Security Industries (together "Eberhard"); and Velvac Holdings Inc. ("Velvac"). These businesses design, manufacture, and market a diverse product line of custom and standard vehicular and industrial hardware, including turnkey returnable packaging solutions, access and security hardware, mirrors, and mirror-cameras.

Big 3 Products and Big 3 Mold's turnkey returnable packaging solutions are used in the assembly processes of vehicles, aircraft, and durable goods and in the production processes of plastic packaging products, packaged consumer goods and pharmaceuticals. Big 3 Products works with original equipment manufacturers ("OEMs") to design and produce custom returnable transport packaging to integrate with OEM assembly processes. Big 3 Mold designs and manufactures blow mold tools. Hallink Moulds is a producer of injection blow mold tooling and is a supplier of blow molds and change parts to the food, beverage, healthcare, and chemical industry. Hallink specializes in the design, development and manufacture of 2-step stretch blow molds, and related components for the stretch blow molding industry, offering integrated turnkey solutions to its customers worldwide.

In 2020, we combined all businesses associated with Eberhard Manufacturing and Illinois Lock Company to create Eberhard, which specializes in the engineering and manufacturing of access and security hardware. Eberhard offers a standard product line of rotary latches, compression latches, draw latches, hinges, camlocks, key switches, padlocks, and handles among other products, as well as comprehensive development and program management services for custom electromechanical and mechanical systems designed for specific OEMs and customer applications. Eberhard's products are found in an expansive range of applications and products globally.

Velvac is a designer and manufacturer of proprietary vision technology for OEMs and aftermarket applications, and a provider of aftermarket components to the heavy-duty truck market in North America. Velvac serves diverse, niche segments within the heavy- and medium-duty truck, motorhome, and bus markets.
Sales are made to customers primarily in North America.

2. Discontinued OperationsDISCONTINUED OPERATIONS

We In the second quarter of 2021, we determined that the companies previously included in our former Diversified Products segment no longer fit with our long-term strategy and have initiated the process of selling the companies within the former Diversified Products segment. Selling these companies will segment to allow management to focus on our core capabilities and offerings.

The former Diversified Products segment met the criteria to be held for sale and furthermore, we determined that the assets held for sale qualified for discontinued operations. As such, the financial results of the former Diversified Products segment Argo EMS are reflected in our condensed consolidated statements of operations as discontinued operations for all periods presented. Additionally, both current and non-current assets and liabilities of discontinued operations are reflected in the condensed consolidated balance sheets for both periods presented. 2022.

On October 19, 2022, the Company sold its Argo EMS business ("Argo"). Argo supplies supplied printed circuit boards and other electronic assemblies to original equipment manufacturers in various industries, including measurement systems, semiconductor equipment manufacturing, and industrial control, medical, and military products.

On November 3, 2021, the Company sold its Greenwald Industries, Inc. division ("Greenwald"). Greenwald, located in Chester, CT, is an OEM manufacturer offering a range of payment solutions from coin-vending products to smart card systems and payment applications.

On November 22, 2021, the Company sold its Frazer & Jones Company division ("Frazer & Jones"). Frazer & Jones is a ductile and malleable iron foundry located in Syracuse, NY. Eastern has exited the mining business to focus on our three core businesses.

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Summarized Financial Information of Discontinued Operations

The following table represents income from discontinued operations, net of tax:

	Year Ended	
	December 31, 2022	January 1, 2022
Net sales	**$ 7,574,181**	$ 44,289,411
Cost of products sold	**(5,137,380)**	(24,873,717)
Gross margin	**2,436,801**	19,415,694
Selling and administrative expenses	**(891,519)**	(15,962,532)
Restructuring benefit (costs)	**305,539**	(11,807,512)
Operating income (loss)	**1,850,821**	(8,354,350)
Interest expense	**(184,509)**	(582,574)
Income (loss) from discontinued operations before income taxes	**1,666,312**	(8,936,924)
Income tax (expense) benefit	**(414,855)**	2,103,752
Gain (loss) from discontinued operations, net of tax	**$ 1,251,457**	$ (6,833,172)

The following table represents the assets and liabilities from discontinued operations:

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	December 31, 2022	January 1, 2022
Cash	**$ -**	$ 434,126
Accounts receivable	**-**	1,153,274
Inventory	**-**	1,258,032
Prepaid expenses	**-**	59,850
Property, plant and equipment, net	**-**	591,920
Right of use assets	**-**	24,697
Total assets of discontinued operations	**$ -**	$ 3,521,899
Current assets of discontinued operations	**$ -**	$ 3,521,899
Non-current assets of discontinued operations	**-**	-
Total assets of discontinued operations	**$ -**	$ 3,521,899
Accounts payable	**$ -**	$ 167,794
Accrued compensation and other accrued expenses	**-**	388,499
Current portion of lease liability	**-**	24,697

Total liabilities of discontinued operations	$ -	$ 580,990
Current liabilities of discontinued operations	$ -	$ 580,990
Non-current liabilities of discontinued operations	-	-
Total liabilities of discontinued operations	$ -	$ 580,990

	Year Ended	
	December 30, 2023	December 31, 2022
Net sales	$ -	$ 7,574,181
Cost of products sold	-	(5,137,380)
Gross margin	-	2,436,801
Selling and administrative expenses	-	(891,519)
Restructuring benefit (costs)	-	305,539
Operating income (loss)	-	1,850,821
Interest expense	-	(184,509)
Income (loss) from discontinued operations before income taxes	-	1,666,312
Income tax (expense) benefit	-	(414,855)
Gain (loss) from discontinued operations, net of tax	$ -	$ 1,251,457

3. Accounting Policies ACCOUNTING POLICIES

Fiscal Year

The Company's year ends on the Saturday nearest to December 31. Based on this policy, fiscal years 2022 2023 and 2021 2022 were each comprised of 52 weeks. References in these Notes to the consolidated financial statements to "2023" or "fiscal year 2023" mean the fiscal year ended December 30, 2023, and references to "2022" or "fiscal year 2022" mean the fiscal year ended December 31, 2022. References to the "fourth quarter of 2023" or the "fourth fiscal quarter of 2023" mean the thirteen-week period from October 1, 2023 to December 30, 2023, and references to "2021" or "fiscal year 2021" mean the fiscal year ended January 1, 2022. References to the "fourth quarter of 2022" or the "fourth fiscal quarter of 2022" mean the thirteen-week period from October 2, 2022 to December 31, 2022, and references to the "fourth quarter of 2021" or the "fourth fiscal quarter of 2021" mean the thirteen-week period from October 3, 2021 to January 1, 2022.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany accounts and transactions are eliminated.

Reclassification

Product development expense is not a cost of product sold. Rather, these expenses are related to product development. The reclassification of these expenses does not affect the net income reported.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") 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, as well as the reported amounts of revenues and expenses during the reporting period. On an ongoing basis the Company evaluates its estimates, including those related to product returns, bad debts, carrying value of inventories, intangible and other long-lived assets, income taxes, pensions, and other postretirement benefits. Actual results could differ from those estimates.

Foreign Currency

For foreign operations asset and liability accounts are translated with an exchange rate at the respective balance sheet dates; income statement accounts are translated at the average exchange rate for the years. Resulting translation adjustments are made directly to a separate component of shareholders' equity – "Accumulated other comprehensive (loss) – Foreign currency translation". translation." Foreign currency exchange transaction gains and losses are not material in any year.

Cash Equivalents

Highly liquid investments purchased with a maturity of three months or less are considered cash equivalents. The Company has deposits that exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, but the Company does not consider this a significant concentration of credit risk based on the strength of the financial institution. Approximately 27% 16% of available cash is located outside of the United States in our foreign subsidiaries.

Accounts Receivable

Accounts receivable are stated at their net realizable value. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company reviews the collectability of its receivables on an ongoing basis considering a combination of factors. The Company reviews potential problems, such as past due accounts, a bankruptcy filing or deterioration in the customer's financial condition, to ensure the Company is adequately accrued for potential loss. Accounts are considered past due based on when payment was originally due. If a customer's situation changes, such as a bankruptcy or change in creditworthiness, or there is a change in the current economic climate, the Company may modify its estimate of the allowance for doubtful accounts. The Company will write off accounts receivable after reasonable collection efforts have been made and the accounts are deemed uncollectible. As of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, the Company's allowance for doubtful accounts total was $677,000 $0.6 million and $515,000, $0.7 million, respectively. As of December 31, 2022 December 30, 2023, and January 1, 2022 December 31, 2022, the Company's bad debt expense was $208,000 $0.1 million and $48,000 $0.2 million, respectively.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the last-in, first-out (LIFO) method at Eberhard ($23.6 18.2 million on December 31, 2022 December 30, 2023) and by the first-in, first-out (FIFO) method for inventories at Big 3 Precision, Velvac and outside the U.S. ($41.0 million on December 31, 2022 December 30, 2023).

Cost exceeds exceeded the LIFO carrying value by approximately $3.7 million on December 30, 2023 and $4.2 million on December 31, 2022 and $3.6 million on January 1, 2022. There was no material LIFO quantity liquidation in 2022 2023 or 2021. 2022. In addition, as of the balance sheet dates, the Company has recorded reserves for excess/obsolete inventory.

Property, Plant and Equipment and Related Depreciation

Property, plant, and equipment (including equipment under capital lease) finance lease of $0.9 million) are stated at cost. Depreciation expense ($3,257,519 3.5 million in 2022, $3,255,894 2023, $3.3 million in 2021) 2022) is computed using the straight-line method based on the following estimated useful lives of the assets: Buildings - 10 to 39.5 years; Machinery and equipment - 3 to 10 years.

Impairment of Long-Lived Assets

In accordance with Accounting Standards Codification ("ASC") 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Company reviews its long-lived assets and certain intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In such an event, the carrying value of long-lived assets is reviewed by management to determine if the value may be impaired. If this review indicates that the carrying amount will not be recoverable, as determined based on the estimated expected future cash flows attributable to the asset over the remaining amortization period, management will reduce the carrying amount to recognize the impairment and recognize an impairment loss. The measurement of the impairment loss to be recognized is to be based on the difference between the fair value and the carrying amount of the asset. Fair value is defined as the amount of by which the asset could be bought or sold in a current transaction between willing parties. Where quoted market prices in active markets are not available, management would estimate fair value based on the best information available in the circumstances such as the price of similar assets, a discounted cash flow analysis or other techniques. No impairment losses were recognized for the years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022.

Goodwill

The Company tests its reporting units for impairment annually in December, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Such events and circumstances could include, among other things, increased competition or unexpected loss of market share, significant adverse changes in the markets in which the Company operates, or unexpected business disruptions. The Company tests reporting units for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, the Company records an impairment loss based on the difference between fair value and carrying amount not to exceed the associated carrying amount of goodwill. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

The Company performed qualitative assessments of goodwill as of the end of fiscal 2023 and 2022 and determined that no impairment existed at the end of 2023 and 2022.

The Company will continue to perform annual qualitative assessments as of the end of each fiscal year. Additionally, the Company will perform an interim analysis whenever conditions warrant.

Intangible Assets

Patents are recorded at cost and are amortized using the straight-line method over the lives of the patents. Technology and licenses are recorded at cost and are amortized on a straight-line basis over periods ranging from 1 to 24 20 years. Non-compete agreements and customer relationships are amortized using the straight-line method over their useful lives. Trademarks are deemed to have indefinite lives. If facts and circumstances indicate that the carrying value of the intangible assets, including definite life intangible assets, may be impaired, an evaluation is performed to determine if a write-down is required. No impairment losses were recognized for the periods years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The company utilizes a fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The fair value hierarchy has three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments are primarily investments in marketable securities (Level 1) and pension assets, see Note 10, *Retirement Benefit Plans*, and an interest rate swap.
The Company's interest rate swap is not an exchange-traded instrument. However, it is valued based on observable inputs for similar liabilities and accordingly is classified as Level 2. The amount of the interest rate swap is included in other accrued liabilities. .

The carrying amounts of other financial instruments (cash and cash equivalents, marketable securities, accounts receivable, accounts payable and debt) as of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, approximate fair value because of their short-term nature and market based market-based interest rates.

Leases

The Company presents right-of-use ("ROU") assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases. The Company elected to account for non-lease components as part of the lease component to which they relate. Lease accounting involves significant judgements, including making estimates related to the lease term, lease payments, and discount rate.

The Company has operating leases for buildings, warehouse, warehouses, and office equipment as well as finance leases for equipment. The Company determines whether an arrangement is, or contains, a lease at contract inception. An arrangement contains a lease if the Company has the right to direct the use of and obtain substantially all the economic benefits of an identified asset. ROU assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Most Many leases include one or more options to renew. The exercise of lease renewal options is at our sole discretion. The Company's option to extend certain leases ranges from 1–124 120 months. All options to extend, when it is reasonably certain the option will be exercised, have been included in the calculation of the ROU asset and lease liability.

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Currently, the Company has 22 operating leases with a lease liability of $17.2 million and two finance leases with a lease liability of $12.3 million $0.9 million as of December 31, 2022 December 30, 2023. The finance lease arrangements are immaterial. The basis, terms, and conditions of the leases are determined by the individual agreements. The leases do not contain residual value guarantees, restrictions, or covenants that could cause the Company to incur additional financial obligations. We rent or sublease one real estate property to two unrelated third parties. There are no related party transactions. There are no leases that have not yet commenced that could create significant rights and obligations for the Company. The weighted average remaining lease term is 5.7 7.0 years. The weighted average discount rate used was 5.0%.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company considers several factors in determining that control transfers to the customer upon shipment of products. These factors include that legal title transfers to the customer, the Company has a present right to payment, and the customer has assumed the risk and rewards of ownership at the time of shipment.

Big 3 Mold may employ the efforts expended method for the percentage of completion for revenue recognition for certain transactions. The efforts expended method calculates the proportion of effort expended to date in comparison to the total effort expected to be expended for the contract. The amount of revenue recognized by employing the percentage of completion method was $1,385,000 $1.1 million for the year ended December 31, 2022 December 30, 2023 and $795,000 $1.4 million for the year ended January 1, 2022 December 31, 2022.

Based on historical experience, product returns have been immaterial, and the Company does not accrue a reserve for product returns. For the years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, the Company recorded sales returns of $580,000 $0.9 million and $395,000, $0.6 million, respectively, as a reduction to revenue.

Sales and similar taxes that are imposed on the Company's sales and collected from the customer are excluded from revenues.

Costs for shipping and handling activities, including those activities that occur after transfer of control to the customer, are recorded as cost of sales and are expensed as incurred.

For the years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, the Company recorded no revenues related to performance obligations satisfied in prior periods. The Company has elected to use the practical expedient to exclude disclosure of transaction prices allocated to remaining performance obligations, and when the Company expects to recognize such revenue, for all periods prior to the date of initial application of the standard.
The Company notes that it is impracticable to provide revenues from external customers for each product and service.

See Note 12 – *Geographic Information* regarding the Company's revenue disaggregated by geography.

Cost of Goods Sold

Cost of goods sold reflects the cost of purchasing, manufacturing, and preparing a product for sale. These costs generally represent the expenses to acquire or manufacture products for sale (including an allocation of depreciation and amortization) and are primarily comprised of direct materials, direct labor, and overhead, which includes indirect labor, facility and equipment costs, inbound freight, receiving, inspection, purchasing, warehousing, and any other costs related to the purchasing, manufacturing, or preparation of a product for sale.

Shipping and Handling Costs

Shipping and handling costs are included in the cost of goods sold.

Product Development Costs

Product development costs, charged to expense as incurred, were $4,241,211 $5.6 million in 2022 2023 and $4,101,399 $4.2 million in 2021 2022 and include costs to develop new or enhance existing products to better serve our customers.

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company that are not directly related to the cost of purchasing, manufacturing, and preparing a product for sale. These expenses represent selling and administrative expenses for support functions and related overhead.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs were $269,659 $0.4 million in 2022 2023 and $200,482 $0.3 million in 2021. 2022.

Stock - Based Compensation

The Company accounts for its stock-based awards in accordance with ASC 718-10, Compensation, which requires a fair value measurement and recognition of compensation expense for all share-based payment awards made to its employees and Directors, including employee stock awards and restricted stock awards. The Company estimates the fair value of granted stock awards using the Black-Scholes valuation model at the date of grant. This model requires the Company to make estimates and assumptions including, without limitation, estimates regarding the length of time an employee will retain vested stock awards before exercising them, the estimated volatility of the Company's common stock price and the number of awards that will be forfeited prior to vesting. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in the Company's consolidated statements of operations.

Under the terms of the Director's Fee Program, the directors receive their director's fees in common shares of the Company.

Income Taxes

The Company and its U.S. subsidiaries file a consolidated U.S. federal income tax return.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company accounts for uncertain tax positions pursuant to the provisions of ASC 740 which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. These provisions detail how companies should recognize, measure, present, and disclose uncertain tax positions that have or are expected to be taken. As such, the financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. See Note 8 - *Income Taxes*.

4. GOODWILL

The following is a roll-forward of goodwill for 2023 and 2022:

	2023
Beginning Balance	**$ 70,777,459**
Acquisition	**444,840**
Disposition	**(498,443)**
Foreign Exchange	**53,037**
Ending Balance	**$ 70,776,893**

	2022
Beginning Balance	$ 72,211,873
Disposition	(1,225,226)
Foreign Exchange	(209,188)
Ending Balance	$ 70,777,459

4. G 5. oodwill INTANGIBLES

The following Trademarks are not amortized as their lives are deemed to be indefinite. Amortization expense recognized in 2023 and 2022 was $4.0 million. Total amortization expense for each of the next five years is a roll-forward of goodwill for 2022 estimated to be as follows: 2024 - $3.9 million; 2025 - $3.9 million; 2026 - $3.4 million; 2027 - $2.4 million and 2021: 2028 - $1.0 million.

	2022
Beginning Balance	**$ 72,211,873**
Disposition	**(1,225,226)**
Foreign Exchange	**(209,188)**
Ending Balance	**$ 70,777,459**

	2021
Beginning Balance	$ 72,219,404
Foreign Exchange	(7,531)
Ending Balance	$ 72,211,873

	2023	Weighted-Average Amortization Period (Years)
Gross Amount		
Patents and developed technology	**$ 7,677,970**	**4.1**
Customer relationships	**26,034,541**	**3.7**
Non-compete agreements	**1,068,345**	**1.5**
Total Gross Intangibles	**$ 34,780,856**	**3.7**
Accumulated Amortization		
Patents and developed technology	**$ 4,045,572**	
Customer relationships	**14,683,710**	
Non-compete agreements	**725,647**	
Accumulated Amortization	**$ 19,454,929**	
Net 2023 per Balance Sheet	**$ 15,325,927**	
	2022	
Gross Amount		
Patents and developed technology	$ 7,412,101	4.8
Customer relationships	25,883,709	4.8
Non-compete agreements	1,044,714	2.4
Total Gross Intangibles	$ 34,340,524	4.7
Accumulated Amortization		
Patents and developed technology	$ 3,395,729	
Customer relationships	11,620,461	
Non-compete agreements	504,437	
Accumulated Amortization	$ 15,520,627	
Net 2022 per Balance Sheet	$ 18,819,897	

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5. Intangibles

Trademarks are not amortized as their lives are deemed to be indefinite. Amortization expense recognized in 2022 and 2021 was $3,953,838 and $3,985,179, respectively. Total amortization expense for each of the next five years is estimated to be as follows: 2023 - $4.7 million; 2024 - $3.9 million; 2025 - $3.9 million; 2026 - $3.9 million and 2027 - $3.9 million.

	2022	Weighted-Average Amortization Period (Years)
Gross Amount		
Patents and developed technology	**$ 7,412,101**	**4.8**
Customer relationships	**25,883,709**	**4.8**
Non-compete agreements	**1,040,714**	**2.4**
Total Gross Intangibles	**$ 34,340,524**	**4.7**
Accumulated Amortization		
Patents and developed technology	**$ 3,395,729**	
Customer relationships	**11,620,461**	
Non-compete agreements	**504,437**	
Accumulated Amortization	**$ 15,520,627**	
Net 2022 per Balance Sheet	**$ 18,819,897**	
	2021	
Gross Amount		
Patents and developed technology	$ 6,749,169	6.5
Customer relationships	26,040,691	5.9
Non-compete agreements	1,111,756	3.3
Total Gross Intangibles	$ 33,901,616	5.9
Accumulated Amortization		
Patents and developed technology	$ 2,959,782	
Customer relationships	7,759,667	
Non-compete agreements	318,670	
Accumulated Amortization	$ 11,038,119	
Net 2021 per Balance Sheet	$ 22,863,497	

6. Debt DEBT

On August 30, 2019 June 16, 2023, the Company entered into the a Credit Agreement with Santander TD Bank, N.A., for itself, Wells Fargo Bank, Bank of America, and M&T Bank National Association. and TD Bank, N.A. as lenders (the “Credit Agreement”), that included a $100 million $60 million term portion and a $20 million $30 million revolving commitment portion. Proceeds The proceeds of the term loan were used to repay the Company’s remaining outstanding term loan (and and to terminate its existing credit facility) facility with M&T Santander Bank, N.A. (approximately $19 million) and to acquire Big 3 Precision. $59 million). The term loan portion of the loan required credit facility requires quarterly principal payments of $1,250,000 for an 18-month period (i) $750,000 beginning December 31, 2019 on September 30, 2023 through June 30, 2025, (ii) $1,125,000 beginning on September 30, 2025 through June 30, 2027, and (iii) $1,500,000 beginning on September 30, 2027 through March 31, 2028, with the balance of the term loan payable on the maturity date of June 16, 2028. Amounts outstanding under the revolving portion of the credit facility are generally due and payable on the expiration date of the Credit Agreement (June 16, 2028). The repayment amount then increased Company can elect to $1,875,000 per quarter beginning September 30, 2021, and continues through June 30, 2023. The repayment amount then increases prepay some or all the outstanding balance from time to $2,500,000 per quarter beginning September 30, 2023, and continues through June 30, 2024. The term loan is a 5-year loan with the remaining balance due on August 30, 2024. The revolving commitment portion has an annual time without penalty. A commitment fee of 0.25% based is payable on the unused portion of the revolver. The revolving commitment portion has a maturity date of August 30, 2024. The Company borrowed $10,000,000 on the revolving credit facility and subsequently paid it back during 2022 and did based on the Company’s consolidated ratio of net debt to adjusted EBITDA from time to time. Currently, the commitment fee is 0.30%. As of September 30, 2023, the Company has not borrow borrowed any funds on the revolving commitment portion of the facility during 2021. credit facility.

The term loan bears interest rates at a variable rate based on the term and secured overnight financing rate ("SOFR"), plus an adjustment of ten basis points, plus an applicable margin of 1.875% to 2.625%, depending on the Company's senior net leverage ratio. Borrowings under the revolving credit portion bear interest at a variable rate based on, at the Company's election, a base rate plus an applicable margin of the Credit Agreement vary. The interest rates may vary 0.875% to 1.625% or term SOFR, plus an adjustment of ten basis points, plus an applicable margin of 1.875% to 2.625%, with such margins determined based on the LIBOR rate plus a margin spread of 1.25% to 2.25%. Company's senior net leverage ratio. The Company's obligations under the Credit Agreement are secured by a lien on certain of the Company's and its U.S. subsidiaries' assets pursuant to a Pledge and Security Agreement, dated August 30, 2019 as of June 16, 2023, with Santander TD Bank, N.A., as administrative agent.

The Company's loan covenants under the Credit Agreement require the Company to maintain a senior net leverage ratio not to exceed 4.25 3.5 to 1. In addition, the Company will be is required to maintain a fixed charge coverage ratio to be not less than 1.25 to 1.

On August 30, 2019, the Company entered into an interest rate swap contract with Santander Bank, N.A., with an original notional amount of $50,000,000, which was equal to 50% of the outstanding balance of the term loan on that date. The Company has a fixed interest rate of 1.44% on the swap contract and will pay the difference between the fixed rate and LIBOR when LIBOR is below 1.44% and will receive interest when the LIBOR rate exceeds 1.44%. On December 31, 2022, the interest rate for half ($24.0 million) of the term portion was 6.1%, using a one-month LIBOR rate, and 3.19% on the remaining balance ($40.0 million) of the term loan based on a one-month LIBOR rate.

The interest rates on the Credit Agreement and the interest rate swap contract are susceptible to that the transition from LIBOR to alternative benchmark rates such as SOFR. Information regarding this transition is provided below.

The ICE Benchmark Administration (the "IBA") ceased publication of all settings of non-US dollar LIBOR and the one-week and two-month U.S. dollar LIBOR settings on December 31, 2021, with the publication of the remaining U.S. dollar LIBOR settings scheduled to be discontinued after June 30, 2023. The Adjustable Interest Rate Act (the "LIBOR Act"), which was signed into law on March 15, 2022, provided a replacement framework for outstanding financial contracts tied to LIBOR once LIBOR ceases to be published. The LIBOR Act provides a statutory mechanism and safe harbor that applies on a nationwide basis to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The LIBOR Act preempts and supersedes any state or local law, statute, rule, regulation, or standard relating to the selection or use of a benchmark replacement or related changes and allows parties that already have effective fallback provisions to opt out of the legislation. On December 16, 2022, the Federal Reserve adopted a final rule implementing the LIBOR Act that, among other things, identifies the applicable SOFR-based benchmark replacements under the LIBOR Act for various contact types. The difference between LIBOR and SOFR is that LIBOR is a forward-looking rate which means the interest rate is set at the beginning of the period with payment due at the end. SOFR is a backward-looking overnight rate, which has implications for how interest and other payments are based.

6. Debt*(continued)*

Debt consists of:

	2022	2021	**2023**	2022
Term loans	**$ 64,147,028**	$ 71,313,522	**$ 43,935,735**	$ 64,147,028
Revolving credit loan	**—**	—	**—**	—
	64,147,028	71,313,522	**43,935,735**	64,147,028
Less current portion	**9,010,793**	7,500,000	**2,871,870**	9,010,793
	$ 55,136,231	$ 63,813,522	**$ 41,063,865**	$ 55,136,231

Amounts are net of unamortized discounts and debt issuance costs of $564,265 as of December 30, 2023 and $113,769 as of December 31, 2022 and $186,478 as of January 1, 2022.

The Company paid interest of $3,388,347 in 2023 and $2,502,883 in 2022 and $2,271,818 in 2021. 2022.

The Company's loan covenants under the Credit Agreement require the Company to maintain a consolidated fixed charge coverage ratio of at least 1.25 to 1, which is to be tested quarterly on a twelve-month trailing basis. In addition, the Company is required to show a senior net leverage ratio not to exceed 4.25 3.5 to 1. The Company was in compliance with all covenants as of December 31, 2022. In addition, Additionally, the Company has restrictions on, among other things, new capital leases, purchases or redemptions of its capital stock, mergers and divestitures, and new borrowing. borrowings. The Company was in compliance with all covenants as of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022.

6. DEBT *(continued)*

As of December 31, 2022 December 30, 2023, scheduled annual principal maturities of long-term debt, net of deferred financing fees, for each of the next five years follow:

2023	9,010,793	
2024	55,136,231	2,871,870
2025		3,621,870
2026		4,371,870
2027		5,121,870
2028		27,948,255
Thereafter	—	—
	$ 64,147,028	$ 43,935,735

7. Stock Options and awards STOCK OPTIONS AND AWARDS

Stock Awards

As of December 31, 2022 December 30, 2023, the Company has one incentive stock award plan, The Eastern Company 2020 Stock Incentive Plan (the "2020 Plan"), for officers, other key employees, and non-employee Directors. Incentive stock awards granted under the 2020 Plan must have exercise prices that are not less than 100% of the fair market value of the Company's common stock on the dates the stock awards are granted. Restricted stock awards may also be granted to participants under the 2020 Plan with restrictions determined by the Compensation Committee of the Company's Board of Directors. Under the 2020 Plan, non-qualified stock awards granted to participants will have exercise prices determined by the Compensation Committee of the Company's Board of Directors. The Company granted 43,300 82,800 and 27,300 43,300 awards during 2022 2023 and 2021, 2022, respectively.

The 2020 Plan also permits the issuance of Stock Appreciation Rights ("SARs"). The SARs are in the form of an award with a cashless exercise price equal to the difference between the fair value of the Company's common stock at the date of grant and the fair value as of the exercise date resulting in the issuance of the Company's common stock. The Company did not issue SARs in 2023 or 2022.

Stock-based compensation (income)/expense, including forfeitures, in connection with stock awards and SARs previously granted to employees was $(74,277) and $504,694 for fiscal years 2023 and 2022, or 2021. respectively. The Company used fair market value to determine the associated expense with stock awards for the 2023 and 2022 fiscal years.

As of December 31, 2023, there were 880,973 shares of common stock reserved and available for future grant under 2020 Plan.

The following tables set forth the outstanding SARs for the period specified:

	Year Ended December 30, 2023		Year Ended December 31, 2022	
	Units	**Weighted - Average Exercise Price**	Units	Weighted - Average Exercise Price
Outstanding at beginning of period	**146,166**	**$ 23.22**	180,833	$ 22.88
Expired	**(50,833)**	**24.24**	-	-
Exercised	**(33,333)**	**21.10**	(16,667)	21.20
Forfeited	**(49,000)**	**22.80**	(18,000)	21.74
Outstanding at end of period	**13,000**	**24.19**	146,166	23.22

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7. STOCK OPTIONS AND AWARDS *(continued)*

SARs Outstanding and Exercisable

Range of Exercise Prices	**Outstanding as of December 30, 2023**	**Weighted- Average Remaining Contractual Life**	**Weighted- Average Exercise Price**	**Exercisable as of December 30, 2023**	**Weighted- Average Remaining Contractual Life**	**Weighted- Average Exercise Price**
$19.44-$26.30	13,000	0.5	$ 24.19	13,000	0.5	$ 24.19

The following tables set forth the outstanding stock grants for the period specified:

	Year Ended December 30, 2023	Year Ended December 31, 2022
	Shares	Shares
Outstanding at beginning of period	**64,500**	27,300
Issued	**82,800**	43,300
Exercised	**(10,600)**	-
Forfeited	**(47,300)**	(6,100)
Outstanding at end of period	**89,400**	64,500

As of December 30, 2023, outstanding SARs and awards had an intrinsic value of $2,289,440.

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7. Stock options and awards*(continued)*

Stock-based compensation expense in connection with stock awards and SARs was $504,694 for awards granted to employees during fiscal year 2022 and $418,000 for awards granted to employees during fiscal year 2021. For the 2022 fiscal year, the Company used several assumptions which included an expected term of 3 years, volatility deviation of 47.15% to 47.70% and a risk-free rate of 2.04% to 2.66%. For the 2021 fiscal year, the Company used several assumptions which included an expected term of 4 years, volatility deviation of 47.25% to 48.55% and a risk-free rate of 0.18 to 0.35%.

As of December 31, 2022, there were 808,101 shares of common stock reserved and available for future grant under 2020 Plan.

The following tables set forth the outstanding SARs for the period specified:

	Year Ended December 31, 2022		Year Ended January 1, 2022	
	Units	**Weighted - Average Exercise Price**	Units	Weighted - Average Exercise Price
Outstanding at beginning of period	**180,833**	**$ 22.88**	244,001	$ 21.87
Issued	**-**	**-**	-	-
Exercised	**(16,667)**	**21.20**	(55,668)	19.31
Forfeited	**(18,000)**	**21.74**	(7,500)	21.20
Outstanding at end of period	**146,166**	**23.22**	180,833	22.88

SARs Outstanding and Exercisable

Range of Exercise Prices	**Outstanding as of December 31, 2022**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Exercisable as of December 31, 2022**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**
$20.20-$26.30	146,166	1.1	$ 23.22	115,166	0.6	$ 23.50

The following tables set forth the outstanding stock grants for the period specified:

	Year Ended December 31, 2022	Year Ended January 1, 2022
	Shares	Shares
Outstanding at beginning of period	**27,300**	25,000
Issued	**43,300**	27,300
Forfeited	**(6,100)**	(25,000)
Outstanding at end of period	**64,500**	27,300

As of December 31, 2022, outstanding SARs and awards had an intrinsic value of $1,243,560.

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The Eastern Company

Notes to Consolidated Financial Statements (continued)

8. Income Taxes INCOME TAXES

Deferred income taxes are provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax reporting purposes. Deferred income tax (assets) liabilities relate to:

	2022	2021	**2023**	2022
Property, plant and equipment	**$ 3,568,209**	$ 3,586,257		
Property, plant, and equipment			**$ 3,897,991**	$ 3,568,209
Right of Use Asset	**2,786,486**	2,564,741	**4,192,368**	2,786,486
Intangible assets	**3,374,192**	6,364,038	**1,674,225**	3,374,192
Other	**876,731**	495,881	**369,358**	876,731
Foreign Withholding Tax	**60,462**	60,462	**-**	60,462
Total deferred income tax liabilities	**10,666,080**	13,071,379	**10,133,942**	10,666,080
Other postretirement benefits	**(151,486)**	(292,090)	**(139,050)**	(151,486)
Inventories	**(1,562,175)**	(1,161,354)	**(1,587,374)**	(1,562,175)
Allowance for doubtful accounts	**(160,446)**	(114,113)	**(133,988)**	(160,446)
Accrued compensation	**(498,530)**	(390,693)	**(434,631)**	(498,530)
Lease Obligation	**(2,786,486)**	(2,564,741)	**(4,192,368)**	(2,786,486)
Pensions	**(5,042,030)**	(6,049,532)	**(4,819,568)**	(5,042,030)
Foreign Tax Credit	**(953,916)**	(1,164,515)	**(1,110,534)**	(953,916)
Capital Loss Carry forward	**-**	(182,582)		
Total deferred income tax assets	**(11,155,069)**	(11,919,620)	**(12,417,513)**	(11,155,069)
Net deferred income tax (assets) liabilities	**$ (488,989)**	$ 1,151,759	**$ (2,283,571)**	$ (488,989)

Income before income taxes consists of:

	2022			2021			**2023**			2022	
	Continuing Operations	**Discontinued Operations**	**Total Income Statement**	Continuing Operations	Discontinued Operations	Total Income Statement	**Continuing Operations**	**Discontinued Operations**	**Total Income Statement**	Continuing Operations	Disconti Operati
Domestic	**$ 12,787,773**	**$ 1,666,312**	**$ 14,454,085**	$ 14,574,811	$ (8,936,924)	$ 5,637,887	**$ 8,351,677**	**-**	**$ 8,351,677**	$ 12,787,773	$ 1,666
Foreign	**1,615,144**	**-**	**1,615,144**	4,495,749	-	4,495,749	**2,640,266**	**-**	**2,640,266**	1,615,144	
	$ 14,402,917	**$ 1,666,312**	**$ 16,069,229**	$ 19,070,560	$ (8,936,924)	$ 10,133,636	**$ 10,991,943**	**-**	**$ 10,991,943**	$ 14,402,917	$ 1,666

The provision for income taxes follows:

	2023			2022		
	Continuing Operations	**Discontinued Operations**	**Total Income Statement**	Continuing Operations	Discontinued Operations	Total Income Statement
Current						
Federal	**$ 2,558,279**	**-**	**$ 2,558,279**	$ 4,528,423	$ 332,665	$ 4,861,088
Foreign	**967,152**	**-**	**967,152**	572,555	-	572,555
State	**503,738**	**-**	**503,738**	1,361,461	82,190	1,443,651
Deferred:						
Federal	**(1,371,310)**	**-**	**(1,371,310)**	(2,567,573)	-	(2,567,573)
Foreign	**(60,462)**	**-**	**(60,462)**	-	-	-
State	**(190,457)**	**-**	**(190,457)**	(542,410)	-	(542,410)
	$ 2,406,940	**-**	**$ 2,406,940**	$ 3,352,456	$ 414,855	$ 3,767,311

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The Eastern Company

Notes to Consolidated Financial Statements (continued)

8. Income Taxes INCOME TAXES *(continued)*

The provision for income taxes follows:

	2022			2021		
	Continuing Operations	**Discontinued Operations**	**Total Income Statement**	Continuing Operations	Discontinued Operations	Total Income Statement
Current						
Federal	**$ 4,528,423**	**$ 332,665**	**$ 4,861,088**	$ 4,075,121	$ (1,816,413)	$ 2,258,708
Foreign	**572,555**	**-**	**572,555**	1,509,693	(287,339)	1,222,354
State	**1,361,461**	**84,190**	**1,443,651**	498,939	-	498,939
Deferred:						
Federal	**(2,567,573)**	**-**	**(2,567,573)**	(2,292,101)	-	(2,292,101)
Foreign	**-**	**-**	**-**	(189,970)	-	(189,970)
State	**(542,410)**	**-**	**(542,410)**	(713,465)	-	(713,465)
	$ 3,352,456	**$ 414,855**	**$ 3,767,311**	$ 2,888,217	$ (2,103,752)	$ 784,465

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations follows:

	2022		2021		2023		2022	
	Amount	**Percent**	Amount	Percent	**Amount**	**Percent**	Amount	Percent
Income taxes using U.S. federal statutory rate	**$ 3,374,538**	**21%**	$ 2,128,063	21%	**$ 2,308,308**	**21%**	**$ 3,374,538**	**21%**
State income taxes, net of federal benefit	**714,416**	**4**	(165,221)	(2)	**244,874**	**2**	**714,416**	**4**
Impact on Foreign Repatriation Tax Reform	**-**	**0**	11,313	0	**306,330**	**3**	**-**	**0**
Impact of foreign subsidiaries on effective tax rate	**(41,404)**	**0**	(282,614)	(3)	**(297,728)**	**(3)**	**(41,404)**	**0**
Impact of Research & Development tax credit	**(131,005)**	**(1)**	(188,944)	(3)	**(136,343)**	**(1)**	**(131,005)**	**(1)**
Uncertain tax positions reserve	**54,705**	**0**	(417,197)	(3)	**461**	**0**	**54,705**	**0**

Other net	(203,939)	(1)	(300,935)	(3)	(18,962)	0	(203,939)	(1)
	$ 3,767,311	23%	$ 784,465	7%	$ 2,406,940	22%	$ 3,767,311	23%

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations follows for continuing operations:

	2022		2021	
	Amount	Percent	Amount	Percent
Income taxes using U.S. federal statutory rate	$ 3,024,612	21 %	$ 4,004,817	21 %
State income taxes, net of federal benefit	649,486	4	61,777	1
Impact on Foreign Repatriation Tax Reform	-	0	11,313	0
Impact of foreign subsidiaries on effective tax rate	(41,404)	0	(282,614	(2)
Impact of Research & Development tax credit	(131,005)	(1)	(188,944	(1)
Uncertain tax positions reserve	54,705	0	(417,197	(2)
Other net	(203,938)	(1)	(300,935	(2)
	$ 3,352,456	23 %	$ 2,888,217	15 %

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8. Income Taxes *(continued)*

	2023		2022	
	Amount	Percent	Amount	Percent
Income taxes using U.S. federal statutory rate	$ 2,308,308	21 %	$ 3,024,612	21 %
State income taxes, net of federal benefit	244,874	2	649,486	4
Impact on Foreign Repatriation Tax Reform	306,330	3	-	0
Impact of foreign subsidiaries on effective tax rate	(297,728)	(3)	(41,404)	0
Impact of Research & Development tax credit	(136,343)	(1)	(131,005)	(1)
Uncertain tax positions reserve	461	0	54,705	0
Other net	(18,962)	0	(203,938)	(1)
	$ 2,406,940	22 %	$ 3,352,456	23 %

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations follows for discontinued operations:

	2022		2021		2023		2022	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Income taxes using U.S. federal statutory rate	$ 349,925	21%	$ (1,876,754)	21%	-	0%	$ 349,925	21%
State income taxes, net of federal benefit	64,930	4	(226,998)	3	-	0	64,930	4
	$ 414,855	25%	$ (2,103,752)	24%	$ -	0%	$ 414,855	25%

Total income taxes paid were $6,608,084 in 2023 and $3,679,678 in 2022 and $2,318,018 in 2021. 2022.

Under accounting standards (ASC 740), a deferred tax liability is not recorded for the excess of the financial reporting (book) basis over the tax basis of an investment in a foreign subsidiary if the indefinite reinvestment criteria are met. Effective for foreign earnings after December 30, 2017, if such earnings are distributed in the form of cash dividends, the Company would not be subject to additional U.S. income taxes but could be subject to foreign income and withholding taxes. A provision has not been made for additional U.S. federal and foreign taxes on December 31, 2022 December 30, 2023 on approximately $12,218,919 $11,507,000 of undistributed earnings of foreign subsidiaries because the Company intends to reinvest these funds indefinitely. It is not practicable to estimate the unrecognized deferred tax liability for withholding taxes on these undistributed earnings.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes. The list of changes is comprehensive. The changes include removing exceptions to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions to the method of recognizing income taxes on interim period losses and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, ASU 2019-12 requires that entities recognize franchise tax based on an incremental method, requires an entity to evaluate the accounting for step-ups in the tax basis of goodwill as inside or outside of a business combination, and removes the requirement to allocate the current and deferred tax provision among entities in standalone financial statement reporting. The ASU also now requires that an entity reflect enacted changes in tax laws in the annual effective rate, and other Codification adjustments have been made to employee stock ownership plans. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 in the first interim period of 2021.

8. INCOME TAXES *(continued)*

On December 14, 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures which applies to all entities subject to income taxes. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. For public business entities (PBEs), the new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. The Company is currently in the process of evaluating the effect of this guidance on its financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

	2022	2021	**2023**	2022
Balance at beginning of year	**$ 672,098**	$ 1,078,309	**$ 685,518**	$ 672,098
Increase for positions taken during the current period	**58,586**	45,721	**34,293**	58,586
Increase (decrease) for positions taken during the prior period	**-**	-	**(59,779)**	-
Decrease resulting from the expiration of the statute of limitations	**(45,166)**	(451,932)	**(88,168)**	(45,166)
Balance at end of year	**$ 685,518**	$ 672,098	**$ 571,864**	$ 685,518

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2018 2019 and non-U.S. income tax examinations by tax authorities prior to 2016.

8. Income Taxes *(continued)*2017.

Included in the balance as of December 31, 2022 December 30, 2023, are $253,655 $451,772 of unrecognized tax benefits that would affect the annual effective tax rate. In 2022, 2023, the Company recognized accrued interest related to unrecognized tax benefits in income tax expense. The Company had approximately $69,245 $69,830 of accrued interest as of December 31, 2022 December 30, 2023.

The total amount of unrecognized tax benefits could increase or decrease within the next twelve months for several reasons, including the closure of federal, state, and foreign tax years by expiration of the statute of limitations and the recognition and measurement considerations under ASC 740. The Company believes that the total amount of unrecognized tax benefits will not increase or decrease significantly over the next twelve months.

9. Leases LEASES

The Company enters into leases for manufacturing facilities, warehouses, sales offices, plant equipment, vehicles, and certain other equipment and buildings under with varying end dates from April 2024 to April 2033, including renewal options.

The following table (in millions) represents the impact of leasing on the consolidated balance sheets:

	Balance Sheet Classification	December 30, 2023	December 31, 2022
Assets:			
Operating lease assets, net	Right of use assets	**$ 17.2**	$ 12.2
Finance lease right of use assets, net	Property, plant and equipment, net	**0.9**	-
Total leased assets, net		**18.1**	12.2
Liabilities:			
Current operating lease liabilities	Current portion of operating lease liability	**4.4**	3.1
Current finance lease liabilities	Current portion of financing lease liability	**0.2**	-
Noncurrent operating lease liabilities	Operating lease liability, less current portion	**12.8**	9.2
Noncurrent finance lease liabilities	Financing lease liability, less current portion	**0.7**	-
Total lease liabilities		**$ 18.1**	$ 12.3

Cash paid included in the measurement of operating lease arrangements. Most leases are liabilities was $4.3 million and $3.6 million for a fixed term the fiscal years ended December 30, 2023 and December 31, 2022, respectively, all of which were included within the operating cash flow section of the consolidated statements of cash flows. Lease assets obtained in exchange for a fixed amount. The Company is not a party to any leases that have capital improvement funding or payment increases based on any index or rate. new operating lease liabilities were $8.5 million and $4.0 million for the fiscal years ended December 30, 2023 and December 31, 2022, respectively.

Future minimum Cash paid included in the measurement of finance lease liabilities was $0.1 million for the fiscal year ended December 30, 2023 which was included within the financing cash flow section of the consolidated statements of cash flows for the fiscal years ended December 30, 2023.

Total operating lease expense was $4.0 million and $3.3 million for the fiscal years ended December 30, 2023 and December 31, 2022, respectively.

Total financing lease expense was $0.1 million for the fiscal year ended December 30, 2023.

The future payments (in millions) due under non-cancelable operating and finance leases with initial or remaining terms more than one year during each as of the next five fiscal years follow: December 30, 2023 are as follows:

		Operating	Finance
2023	$ 3,059,547		
2024	2,640,972	$ 4.4	$ 0.2
2025	1,747,019	3.1	0.2
2026	1,371,761	2.5	0.2
2027	1,008,297		
2027 and thereafter		10.2	0.6
	$ 9,827,596	20.2	1.1
Less effects of discounting		(3.0)	(0.2)
Lease liabilities recognized		$ 17.2	$ 0.9

Rent expense for all operating leases was $3,299,579 in 2022 and $2,816,258 in 2021. The As of December 30, 2023, the weighted average lease term for all operating and finance leases is 5.7 years. 7.0 and 6.1 years, respectively. The weighted average discount rate for all associated with operating leases is 5% was 6.2% while the weighted average discount rate associated with finance leases was 6.4%.

10. Retirement Benefit Plans RETIREMENT BENEFIT PLANS

The Company has non-contributory defined benefit pension plans covering some U.S. employees. Plan benefits are generally based upon age at retirement, years of service and, for its salaried plan, the level of compensation. The Company also sponsors unfunded non-qualified supplemental retirement plans that provide certain former officers with benefits in excess of limits imposed by federal tax law.

The Company also provides health care and life insurance for retired salaried employees in the United States who meet specific eligibility requirements.

Components of the net periodic benefit cost of the Company's pension benefit plans for the fiscal year indicated were as follows:

	2022	2021
Service cost	**$ 1,078,973**	$ 1,087,333
Interest cost	**2,432,756**	2,017,015
Expected return on plan assets	**(5,842,641)**	(5,794,694)
Amortization of prior service cost	**66,252**	99,380
Amortization of the net loss	**1,560,299**	1,730,150
Net periodic benefit cost	**$ (704,361)**	$ (860,816)

10. Retirement Benefit Plans *(continued)*

	2023	2022
Service cost	**$ 864,611**	$ 1,078,973
Interest cost	**3,960,212**	2,432,756
Expected return on plan assets	**(4,196,060)**	(5,842,641)
Amortization of prior service cost	**-**	66,252
Amortization of the net loss	**1,371,460**	1,560,299
Net periodic benefit cost	**$ 2,000,223**	$ (704,361)

Service costs are reported in the cost of products sold and the other components of net periodic benefit costs are reported in other income in the consolidated statements of income.

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10. RETIREMENT BENEFIT PLANS *(continued)*

Assumptions used to determine net periodic benefit cost for the Company's pension benefit plans for the fiscal year indicated were as follows:

	2022 2023		2021 2022		
Discount rate					
- Pension plans	**5.21% - 5.23 %**		2.75% - 2.81% 2.81	2.40% - 2.48% %	
- Supplemental pension plans		**2.08 4.92 %**		1.49%	2.08 %
Expected return on plan assets		**7.5 %**		7.5%	7.5 %
Rate of compensation increase		**0 %**		0%	0 %

Components of the net periodic benefit cost of the Company's other postretirement benefit plan were as follows:

	2022	2021	**2023**	2022
Service cost	**$ 53,291**	$ 54,505	**$ 25,945**	$ 53,291
Interest cost	**43,950**	39,369	**58,131**	43,950
Expected return on plan assets	**(17,600)**	(25,681)	**(19,396)**	(17,600)

Amortization of prior service cost	-	-	4,241	4,241
Amortization of the net loss	(8,214)	(12,374)	(67,581)	(8,214)
Net periodic benefit cost	$ 75,668	$ 55,819	$ 1,340	$ 75,668

Assumptions used to determine net periodic benefit cost for the Company's other postretirement plan for the fiscal year indicated were as follows:

	2022 2023	2021	2022
Discount rate	5.28 %		2.662.93 %
Expected return on plan assets	4.0 %		4.0 %
Rate of compensation increase	4.0 4.3 %		4.3 %

As of December 31, 2022 December 30, 2023, and January 1, 2022 December 31, 2022, the status of the Company's pension benefit plans and other postretirement benefit plan was as follows:

	Pension Benefit		Other Postretirement Benefit	
	2023	2022	2023	2022
Benefit obligation at beginning of year	$ 80,701,715	$ 107,420,338	$ 1,151,126	$ 1,724,582
Change in discount rate	1,794,084	(26,408,548)	35,126	(562,340)
Service cost	864,611	1,078,973	25,945	53,291
Interest cost	3,960,212	2,432,756	58,131	43,950
Actuarial (gain)/loss	(587,910)	934,211	(162,766)	(73,395)
Benefits paid	(4,870,701)	(4,756,015)	(37,286)	(34,962)
Benefit obligation at end of year	$ 81,862,011	$ 80,701,715	$ 1,070,276	$ 1,151,126
	2023	2022	2023	2022
Fair value of plan assets at beginning of year	$ 58,527,250	$ 80,814,956	$ 484,904	$ 439,993
Actual return on plan assets	5,902,956	(17,701,556)	(16,501)	44,911
Employer contributions	1,277,138	169,865	51,180	49,158
Benefits paid	(4,870,701)	(4,756,015)	(51,180)	(49,158)
Fair value of plan assets at end of year	$ 60,836,643	$ 58,527,250	$ 468,403	$ 484,904

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10. Retirement Benefit Plans *(continued)*

	Pension Benefit		Other Postretirement Benefit	
	2022	2021	2022	2021
Benefit obligation at beginning of year	$ 107,420,338	$ 111,549,725	$ 1,724,582	$ 1,827,169
Change in discount rate	(26,408,548)	(5,316,621)	(562,340)	(96,343)
Service cost	1,078,973	1,087,333	53,291	54,505
Interest cost	2,432,756	2,017,015	43,950	39,369
Plan Amendment	-	-	-	36,388
Actuarial (gain)/loss	934,211	2,340,743	(73,395)	110,462
Significant Event	-	-	-	(218,103)
Benefits paid	(4,756,015)	(4,257,857)	(34,962)	(28,865)
Benefit obligation at end of year	$ 80,701,715	$ 107,420,338	$ 1,151,126	$ 1,724,582
	2022	2021	2022	2021
Fair value of plan assets at beginning of year	$ 80,814,956	$ 78,361,102	$ 439,993	$ 642,030
Actual return on plan assets	(17,701,556)	4,369,247	44,911	16,066
Employer contributions	169,865	2,342,462	49,158	45,243
Significant Event	-	-	-	(218,103)
Benefits paid	(4,756,015)	(4,257,855)	(49,158)	(45,243)
Fair value of plan assets at end of year	$ 58,527,250	$ 80,814,956	$ 484,904	$ 439,993

Funded Status	Pension Benefit 2022	Pension Benefit 2021	Other Postretirement Benefit 2022	Other Postretirement Benefit 2021
Net amount recognized in the balance sheet	**$ (22,174,465)**	$ (26,605,382)	**$ (666,222)**	$ (1,284,589)

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefit 2022	Pension Benefit 2021	Other Postretirement Benefit 2022	Other Postretirement Benefit 2021
Net (loss)/gain	**$ (36,956,587)**	$ (40,447,026)	**$ 900,694**	$ 241,621
Prior service (cost) credit	**-**	(66,252)	**-**	-
	$ (36,956,587)	$ (40,513,278)	**$ 900,694**	$ 241,621

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Notes to Consolidated Financial Statements (continued)

10. Retirement Benefit Plans RETIREMENT BENEFIT PLANS *(continued)*

Funded Status	Pension Benefit 2023	Pension Benefit 2022	Other Postretirement Benefit 2023	Other Postretirement Benefit 2022
Net amount recognized in the balance sheet	**$ (21,025,365)**	$ (22,174,465)	**$ (554,758)**	$ (666,222)

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefit 2023	Pension Benefit 2022	Other Postretirement Benefit 2023	Other Postretirement Benefit 2022
Net (loss)/gain	**$ (35,084,405)**	$ (36,956,587)	**$ 929,097**	$ 900,694
Prior service (cost) credit	**-**	-	**-**	-
	$ (35,084,405)	$ (36,956,587)	**$ 929,097**	$ 900,694

Change in the components of accumulated other comprehensive income consist of:

	Pension Benefit 2022	Pension Benefit 2021	Other Postretirement Benefit 2022	Other Postretirement Benefit 2021	Pension Benefit 2023	Pension Benefit 2022	Other Postretirement Benefit 2023	Other Postretirement Benefit 2022
Balance at beginning of period	**$ (40,513,278)**	$ (43,893,239)	**$ 241,621**	$ 349,276	**$ (36,956,587)**	$ (40,513,278)	**$ 900,694**	$ 241,621
Change due to availability of final actual assets and census data	-	**-**	**-**	-				
Charged to net periodic benefit cost								
Prior service cost	**66,252**	99,380	**4,241**	-	-	66,252	**4,241**	4,241
Net loss (gain)	**1,560,299**	1,730,150	**(8,214)**	(12,374)	**1,371,460**	1,560,299	**(67,581)**	(8,214)
Liability (gains)/losses								
Discount rate	**26,408,548**	5,316,621	**562,340**	96,343	**(1,794,084)**	26,408,548	**(35,126)**	562,340
Asset (gains)/losses deferred	**(22,866,209)**	(771,444)	**27,311**	(9,615)	**2,431,940**	(22,866,209)	**(35,897)**	27,311

Plan Amendments	-	-	-	(36,388)				
Significant Event	-	-	-	(35,159)				
Other	**(1,612,199)**	(2,994,746)	**73,395**	(110,462)	**(137,134)**	(1,612,199)	**162,766**	73,395
Balance at end of period	**$ (36,956,587)**	$ (40,513,278)	**$ 900,694**	$ 241,621	**$ (35,084,405)**	$ (36,956,587)	**$ 929,097**	$ 900,694

Assumptions used to determine the projected benefit obligations for the Company's pension benefit plans and other postretirement benefit plan for the fiscal year indicated were as follows:

	2022 2023	2021 2022	
Discount rate			
- Pension plans	**4.99% - 5.00 %**	5.21% - 5.23% 5.23	2.75% - 2.81% %
- Supplemental pension plans	**4.98 4.72 %**	2.08%	4.92 %
- Other postretirement plan	**5.28 5.04 %**	2.93%	5.28 %

On December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, the accumulated benefit obligation for all qualified and nonqualified defined benefit pension plans was $81,862,011 and $80,701,715, and $107,420,338, respectively. During 2022, the pension benefit obligation decreased between 24.1% to 26.1% due to the increase in the discount rates from 2.75%-2.81% to 5.21%-5.23%.

Information for the under-funded pension plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets:

	2022	2021
Number of plans	**5**	5
Projected benefit obligation	**$ 80,701,715**	$ 107,420,338
Accumulated benefit obligation	**80,701,715**	107,420,338
Fair value of plan assets	**58,527,250**	80,814,956
Net amount recognized in accrued benefit liability	**$ (22,174,465)**	$ (26,605,382)

Estimated future benefit payments to participants of the Company's pension plans are $5.0 million in 2023, $5.1 million in 2024, $5.3 million in 2025, $5.5 million in 2026, $5.6 million in 2027 and a total of $29.0 million from 2028 through 2032.

Estimated future benefit payments to participants of the Company's other postretirement plan are $46,000 in 2023, $46,000 in 2024, $49,000 in 2025, $52,000 in 2026, $53,000 in 2027 and a total of $302,000 from 2028 through 2032.

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Notes to Consolidated Financial Statements (continued)

10. Retirement Benefit Plans RETIREMENT BENEFIT PLANS *(continued)*

Information for the under-funded pension plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets:

	2023	2022
Number of plans	**5**	5
Projected benefit obligation	**$ 81,862,011**	$ 80,701,715
Accumulated benefit obligation	**81,862,011**	80,701,715
Fair value of plan assets	**60,836,643**	58,527,250
Net amount recognized in accrued benefit liability	**$ (21,025,368)**	$ (22,174,465)

Estimated future benefit payments to participants of the Company's pension plans are $5.1 million in 2024, $5.3 million in 2025, $5.5 million in 2026, $5.6 million in 2027, $5.7 million in 2028 and a total of $29.1 million from 2029 through 2033.

Estimated future benefit payments to participants of the Company's other postretirement plan are $46,000 in 2024, $47,000 in 2025, $49,000 in 2026, $49,000 in 2027, $51,000 in 2028 and a total of $281,000 from 2029 through 2033.

The Company expects to make cash contributions to its qualified pension plans of approximately $800,000 $2,100,000 and to its other postretirement plan of approximately $50,000 in 2023. 2024.

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors and generally base these rates on a 10-year horizon for various asset classes and consider the expected positive impact of active investment management. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities and fixed income securities.

We consider a variety of factors in determining and selecting our assumptions for the discount rate at the end of the year. In 2022, 2023, as in 2021, 2022, we developed each plan's discount rate with the assistance of our actuaries by matching expected future benefit payments in each year to the corresponding spot rates from the FTSE Pension Liability Yield Curve, comprised of high quality (rated AA or better) corporate bonds.

10. RETIREMENT BENEFIT PLANS *(continued)*

The fair values of the Company's pension plans plan assets on December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, utilizing the fair value hierarchy discussed in Note 4 3 – *Accounting Policies – Fair Value of Financial Instruments*, follow:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents:				
Common/collective trust funds	$ -	$ 391,357	$ -	**$ 391,357**
Equities:				
The Eastern Company Common Stock	4,184,107		-	**4,184,107**
Common/collective trust funds				
Russell Multi Asset Core Plus Fund (a)	-	26,244,623	-	**26,244,623**
Fixed Income:				
Common/collective trust funds				
Target Duration LDI Fixed Income Funds (b)				
• Russell 25 Year LDI Fixed Income Fund	-	4,376,600	-	**4,376,600**
• Russell 14 Year LDI Fixed Income Fund	-	18,012,813	-	**18,012,813**
STRIPS Fixed Income Funds (c)				
• Russell 15 to 20 Year STRIPS Fixed Income Fund	-	2,151,410	-	**2,151,410**
• Russell 10 to 15 Year STRIPS Fixed Income Fund	-	3,166,340	-	**3,166,340**
Total	$ 4,184,107	$ 54,343,143	$ -	**$ 58,527,250**

	December 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents:				
Common/collective trust funds	$ —	$ 411,688	$ —	**$ 411,688**
Equities:				
The Eastern Company Common Stock	4,774,396		—	**4,774,396**
RITC Russell Investments Russell 1000® Index Fund (a)		6,595,564		**6,595,564**
RITC Small Cap Fund (b)		567,998		**567,998**
RITC International Fund (c)		3,669,895		**3,669,895**
RITC Emerging Markets Fund (d)		1,298,014		**1,298,014**
RITC World Equity Fund (e)		7,960,264		**7,960,264**
RITC Global Real Estate Securities Fund (f)		1,373,408		**1,373,408**
RITC Global Listed Infrastructure Fund (g)		1,327,625		**1,327,625**
RITC Commodities Fund (h)		1,161,864		**1,161,864**
RIIFL High Yield Bond Fund (i)		2,643,118		**2,643,118**

	Level 1	Level 2	Level 3	Total
Fixed Income:				
Common/collective trust funds				
Target Duration LDI Fixed Income Funds (j)				
• Russell 25 Year LDI Fixed Income Fund	—	9,858,521	—	**9,858,521**
• Russell 14 Year LDI Fixed Income Fund	—	17,481,926	—	**17,481,926**
STRIPS Fixed Income Funds (k)				
• Russell 15 to 20 Year STRIPS Fixed Income Fund	—	876,584	—	**876,584**
• Russell 10 to 15 Year STRIPS Fixed Income Fund	—	835,778	—	**835,778**
Total	$ 4,774,396	$ 56,062,246	$ —	**$ 60,836,643**

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10. Retirement Benefit Plans RETIREMENT BENEFIT PLANS *(continued)*

	January 1, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and Equivalents:								
Common/collective trust funds	$ -	$ 356,173	$ -	**$ 356,173**	$ —	$ 391,357	$ —	**$ 391,357**
Equities:								
The Eastern Company Common Stock	5,460,173		-	**5,460,173**	4,184,107		—	**4,184,107**
Common/collective trust funds								
Russell Multi Asset Core Plus Fund (a) (l)	-	36,142,837	-	**36,142,837**	—	26,244,623	—	**26,244,623**
Fixed Income:								
Common/collective trust funds								
Target Duration LDI Fixed Income Funds (b) (j)								
· Russell 25 Year LDI Fixed Income Fund	-	4,320,207	-	**4,320,207**				
· Russell 14 Year LDI Fixed Income Fund	-	26,430,482	-	**26,430,482**				
• Russell 25 Year LDI Fixed Income Fund					—	4,376,600	—	**4,376,600**

• Russell 14 Year LDI Fixed Income Fund					—	18,012,813	—	**18,012,813**
STRIPS Fixed Income Funds (c) (k)								
· Russell 15 to 20 Year STRIPS Fixed Income Fund	-	3,264,328	-	**3,264,328**				
· Russell 10 to 15 Year STRIPS Fixed Income Fund	-	4,840,756	-	**4,840,756**				
• Russell 15 to 20 Year STRIPS Fixed Income Fund					—	2,151,410	—	**2,151,410**
• Russell 10 to 15 Year STRIPS Fixed Income Fund					—	3,166,340	—	**3,166,340**
Total	$ 5,460,173	$ 75,354,783	$ -	**$ 80,814,956**	$ 4,184,107	$ 54,343,143	$ —	**$ 58,527,250**

Equity common funds primarily hold publicly traded common stock of both U.S and international companies selected for purposes of total return and to maintain equity exposure consistent with policy allocations. The Level 1 investment is made up of shares of The Eastern Company Common Stock and is valued at market price. Level 2 investments include commingled funds valued at unit values provided by the investment managers, which are based on the fair value of the underlying publicly traded securities.

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10. Retirement Benefit Plans RETIREMENT BENEFIT PLANS *(continued)*

(a) The RITC Russell Investments Russell 1000® Index Fund - Series I seeks to replicate the performance of the Russell 1000® Index as closely as possible before the deduction of Fund expenses. The Fund invests, through an underlying fund, primarily in stocks that closely match the composition of the Russell 1000® Index. The stocks in the index are highly diversified across industries and sectors. The Fund practices a passive investment approach and seeks to replicate the performance of the Russell 1000® Index.

(b) The RITC Small Cap Fund seeks to provide long-term capital appreciation. It aims to outperform the Russell 2000® Index while managing volatility and maintaining diversification similar to the Index over a full market cycle. The Fund invests primarily in common stocks of U.S. small capitalization companies. Advisors in the Fund use a wide range of criteria and disciplines, focusing on factors such as: undervalued or under-researched companies, special situations, emerging growth, asset plays and turnarounds.

(c) The RITC International Fund seeks to provide long-term growth of capital. It aims to outperform the MSCI World ex USA Index Net (the “Index”) while managing volatility and maintaining diversification similar to the index over a full market cycle. The Fund invests primarily in equity securities issued by Non-U.S. companies and in depositary receipts and other derivatives representing economic ownership of securities of non-U.S. companies. Seeks to invest in most of the developed nations of the world to maintain a high degree of diversification among countries and currencies. Employs multiple managers with distinct investment styles (growth, market-oriented and value), which are intended to be complementary.

(d) The RITC Emerging Markets Fund seeks to provide the potential for long-term growth of capital. It aims to outperform the MSCI Emerging Markets Index Net over a full market cycle. The Fund Invests in equity securities of companies located in, or are economically tied to, emerging market countries. Securities are denominated principally in foreign currencies and are typically held outside the U.S. The Fund employs a multi-style (growth, market-oriented and value) and multi-manager approach whereby portions of the fund are allocated to different money managers who employ distinct styles.

(e) The RITC World Equity Fund seeks to provide long-term capital appreciation. It aims to outperform the MSCI World Net Dividend Index over a full market cycle. The Fund employs specialist global equity advisors using global stock and sector selection strategies. Advisors invest across the world, without being limited by national borders or to specific regions, and typically take more aggressive positions on stocks and sectors and the extended equity markets. Their cross-border approach offers a different, complementary source of excess returns to Russell Investments' U.S. and International funds.

(f) The RITC Global Real Estate Securities Fund seeks to provide current income and long-term capital growth. It strives to outperform the FTSE EPRA NAREIT Developed Index Net TRI with above-average consistency over a full market cycle. The Fund invests principally in equity securities of real estate companies, primarily in real estate investment trusts (REITs), other property trusts and real estate-related companies listed on global stock exchanges, predominantly in North America, Europe, Asia, and Australia. It employs a multi-manager approach whereby portions of the fund are allocated to different money managers whose approaches are intended to complement one another.

(g) The RITC Global Listed Infrastructure Fund seeks to provide the potential for excess return streams, stable income potential, and a possible hedge against inflation. It seeks to outperform the S&P Infrastructure Index over a full market cycle. The Fund invests in a diversified portfolio of listed companies that provide services essential for a functioning modern economy, including roads, utilities, hospitals, schools, and airports. Employs multiple managers with complementary strategies with each manager expected to take an active management approach with a ’pure play’ bias - meaning they select companies with assets that tend to be monopolistic, highly regulated, long-lived, with steady cash flows.

(h) The RITC Commodities Fund is designed to provide the potential for long-term growth of capital and income. It seeks to outperform the Bloomberg Commodity Index Total Return with above-average consistency over a full market cycle. The Fund invests in commodity index-linked securities, other commodity-linked securities, derivative instruments, cash, and fixed income securities that together are intended to provide exposure to the performance of the collateralized commodity futures market. Combines strategies with different payoffs over different phases of an economic and stock market cycle. Multiple advisors, funds and strategies are employed to reduce style or strategy concentration risk.

(i) The RIIFL High Yield Bond Fund seeks to provide current income and capital appreciation. It aims to outperform the ICE BofA Developed Markets High Yield Constrained Index (USD-hedged) over an interest rate cycle. The Fund invests primarily in non-investment grade, high yielding fixed income securities issued by companies from around the globe. These securities are commonly referred to as "junk bonds." A majority of the Fund's holdings are U.S. dollar denominated.

(j) The Target Duration LDI Fixed Income Funds seek to outperform their respective Barclays-Russell LDI Indexes over a full market cycle. These Funds invest primarily in investment grade corporate bonds that closely match those found in discount curves used to value U.S. pension liabilities. They seek to provide additional incremental return through modest interest rate timing, security selection and tactical use of non-credit sectors. Generally, for use in combination with other bond funds to gain additional credit exposure, with the goal of reducing the mismatch between a plan’s assets and liabilities.

(k) The STRIPS (Separate Trading of Registered Interest and Principal of Securities) Funds seek to provide duration and Treasury exposure by investing in an optimized subset of the STRIPS universe with a similar duration profile as the Barclays U.S. Treasury STRIPS 10-15 year, 15-20 year or 25+ year Index. These passively managed funds are generally used with other bond funds to add additional duration to the asset portfolio. This will help reduce the mismatch between a plan’s assets and liabilities.

(l) The investment objective of the RITC (formerly Russell) Multi-Asset Core Plus Fund seeks to provide long-term growth of capital over a market cycle by offering a diversified portfolio of funds and separate accounts investing in global stock, return seeking fixed income, commodities, global real estate, and opportunistic investments. They hold a dynamic mix of underlying Russell Investments funds and/or separate accounts. Russell Investments is a strong proponent of disciplined strategic asset allocation and rebalancing strategies and believes that unstable movements in the market have the potential to create opportunities. By identifying short-term mispricing and making small tactical adjustments to the Multi-Asset Core Plus Fund, they believe there is potential to enhance returns while continuing to manage risks.

(b) The Target Duration LDI Fixed Income Funds seek to outperform their respective Barclays-Russell LDI Indexes over a full market cycle. These Funds invest primarily in investment grade corporate bonds that closely match those found in discount curves used to value U.S. pension liabilities. They seek to provide additional incremental return through modest interest rate timing, security selection and tactical use of non-credit sectors. Generally, for use in combination with other bond funds to gain additional credit exposure, with the goal of reducing the mismatch between a plan’s assets and liabilities.

(c) The STRIPS (Separate Trading of Registered Interest and Principal of Securities) Funds seek to provide duration and Treasury exposure by investing in an optimized subset of the STRIPS universe with a similar duration profile as the Barclays U.S. Treasury STRIPS 10-11 year, 16-16 year or 28-29 year Index. These passively managed funds are generally used with other bond funds to add additional duration to the asset portfolio. This will help reduce the mismatch between a plan’s assets and liabilities.

The investment portfolio contains a diversified blend of common stocks, bonds, cash equivalents, and other investments, which may reflect varying rates of return. The investments are further diversified within each asset classification. The portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. The Company has elected to change its investment strategy to better match the assets with the underlying plan liabilities. Currently, the long-term target allocations for plan assets are 50% in equities and 50% in fixed income although the actual plan asset allocations may be within a range around these targets. The actual asset allocations are reviewed and rebalanced on a periodic basis to maintain the target allocations. It is expected that, as the funded status of the plans improves, more assets will be invested in long-duration fixed income instruments.

10. RETIREMENT BENEFIT PLANS *(continued)*

The plans' assets include 217,018 shares of the common stock of the Company having a market value of $4,774,396 and $4,184,107 on December 30, 2023 and $5,460,173 on December 31, 2022 and January 1, 2022, respectively. No shares were purchased in 2022 2023 or 2021 2022 nor were any shares sold in either period. Dividends received during 2022 2023 and 2021 2022 on the common stock of the Company were $95,488 and $95,488, respectively.

U.S. salaried and non-union hourly employees and most employees of the Company's Canadian subsidiaries are covered by defined contribution plans.

The Company has a contributory savings plan under Section 401(k) of the Internal Revenue Code covering substantially all U.S. non-union employees. This plan allows participants to make voluntary contributions of up to 100% of their annual compensation on a pretax basis, subject to IRS limitations. The plan provides for contributions by the Company at its discretion.

10. Retirement Benefit Plans *(continued)*

The Company amended the Eastern Company Savings and Investment Plan as amended effective April 1, 2023 ("401(k) Plan Amendment") effective June 1, 2016. The 401(k) Plan Amendment increased this provides for a match to of 50% of the first 6% of contributions for the remainder of Fiscal 2016 and going forward. employee contributions. The 401(k) Plan Amendment also provided provides for an additional non-discretionary contribution (the "transitional credit") for certain non-union U.S. employees who were eligible to participate in the Salaried Plan. employees. The amount of this non-discretionary contribution ranges from 0% to 4% of wages, based on the age of the individual on June 1, 2016. The 401(k) Plan Amendment increased the provides a non-discretionary safe harbor contribution to of 3% and changed the eligibility to all . All non-union U.S. employees. employees are eligible to join the plan.

The Company made contributions to the plan as follows:

	2022	2021	2023	2022
Regular matching contributions	$ 561,357	$ 553,619	$ 990,993	$ 561,357
Transitional credit contributions	123,387	138,604	105,880	123,387
Non-discretionary contributions	376,861	392,865	682,154	376,861
Total contributions made for the period	$ 1,061,605	$ 1,085,088	$ 1,779,027	$ 1,061,605

The non-discretionary contribution of $328,953 made in the twelve months ended December 30, 2023 was accrued for and expensed in the prior fiscal year. As of December 31, 2022, the Company had accrued $379,090 for the non-discretionary safe harbor contribution. This amount was expensed in 2022 and was contributed to the plan in January 2023. As of January 1, 2022

Effective January 1, 2023, the Company had accrued $323,082 for the non-discretionary safe harbor contribution. This amount was contributions are being contributed to the Plan in January 2022 and was expensed in 2021. on a weekly basis.

11. Earnings per Share EARNINGS PER SHARE

The denominators used in the earnings per share computations follow:

	2023	2022	2021
Basic:			
Weighted average shares outstanding	**6,223,839** **6,232,341**	6,262,378 6,223,839	
Diluted:			
Weighted average shares outstanding	**6,223,839** **6,232,341**	6,262,378 6,223,839	
Dilutive stock awards	**14,102** **38,424**	711 14,102	
Denominator for diluted earnings per share	**6,237,941** **6,270,765**	6,263,089 6,237,941	

There were no anti-dilutive stock equivalents in 2022 2023 or 2021. 2022.

12. Geographic Information GEOGRAPHIC INFORMATION

	2022	2021	**2023**	2022
Geographic Information:				
Net Sales:				
United States	**$ 270,342,724**	$ 234,300,461	**$ 265,377,645**	$ 270,342,724
Foreign	**8,922,422**	12,222,362	**8,077,212**	8,922,422
	$ 279,265,146	$ 246,522,823	**$ 273,454,857**	$ 279,265,146

Foreign sales are primarily to customers in North America.

Foreign sales are primarily to customers in North America.

	2022	2021	**2023**	2022
Identifiable Assets:				
United States	**$ 249,652,120**	$ 252,961,017	**$ 240,930,387**	$ 248,587,059
Foreign	**13,254,624**	13,367,918	**11,108,814**	12,935,974
	$ 262,906,744	$ 266,328,935	**$ 252,039,201**	$ 261,523,033

13. Recent Accounting Pronouncements RECENT ACCOUNTING PRONOUNCEMENTS

Adopted In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which amends the reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We do not expect this new standard to have a significant impact to our disclosures.

In December 2019, 2023, the FASB issued ASU 2019-12, Simplifying No. 2023-09, Income Taxes (Topic 240), which modifies the Accounting for Income Tax. The changes implemented in ASU 2019-12 include removing exceptions rules on income tax disclosures to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions require entities to the method of recognizing income taxes on interim period losses and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, ASU 2019-12 requires that entities recognize franchise tax based on an incremental method, requires an entity to evaluate the accounting for step-ups disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax basis of goodwill as inside expense or outside of a business combination, benefit disaggregated between domestic and removes the requirement foreign and (3) income tax expense or benefit from continuing operations disaggregated by Federal, state, and foreign. The update also requires entities to allocate the current disclose their income tax payments to various jurisdictions. This standard is effective for fiscal years beginning after December 15, 2024, and deferred tax provision among entities in standalone financial statement reporting. The ASU also now requires that an entity reflect enacted changes in tax laws in the annual effective rate, and other codification adjustments have been made interim periods within fiscal years beginning after December 15, 2025. We do not expect this new standard to employee stock ownership plans. The Company adopted ASU 2019-12 as of January 3, 2021. The adoption of this guidance did not have a material significant impact on the consolidated financial statements of the Company. to our disclosures.

The Company has implemented all new accounting pronouncements that are in effect and that could impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued, but are not yet effective, that might have a material impact on the consolidated financial statements of the Company.

14. Contingencies CONTINGENCIES

The Company is party to various legal proceedings from time to time related to its normal business operations. Currently, the Company is not involved in any legal proceedings.

In 2016, the Company created a plan to remediate a landfill of spent foundry sand maintained at the Company's previously owned metal casting facility in New York. This plan was agreed to by the New York State Department of Environmental Conservation (the "NYSDEC") on March 27, 2018. Based on estimates provided by the Company's environmental engineers, the anticipated cost to remediate and monitor the landfill was $430,000. The Company accrued for and expensed the entire $430,000 in the first quarter of 2018 and fiscal 2017. In the fall of 2018, detailed construction drawings were prepared by an outside consultant in conjunction with informal progress reviews by the NYSDEC. Long-term groundwater monitoring commenced in April 2019. Verbal approval for the closure plan was received from the NYSDEC in May 2019, and written approval was received in October 2020. Construction of the closure remedies, including improved drainage system, regrading, and installation of a low permeability cap was completed in October 2021. A closure report and long-term maintenance plan were submitted to the NYSDEC in November 2021. In July 2023, the Company received NYSDEC approval for the closure report and long-term maintenance plan. The 30-year annual groundwater monitoring and site maintenance program are is underway and will continue through 2048.

15. Concentration of risk CONCENTRATION OF RISK

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company, as and when they become due. The primary credit risk for the Company is its accounts receivable due from customers. The Company has established credit limits for customers and monitors their balances to mitigate the risk of loss. As of December 31, 2022 December 30, 2023, and January 1, 2022 December 31, 2022, there was one significant concentration of credit risk. One customer represented 12% of total accounts receivable for 2023 and one customer represented 14% of total accounts receivable for 2022 and 11% of total accounts receivable in 2021. 2022. The maximum exposure to credit risk is primarily represented by the carrying amount of the Company's accounts receivable. In 2023, this customer had revenues totaling $29.2 million (10% of Engineered Solutions segment total revenue). In 2022, no customer had sales exceeding 10% of total Engineered Solutions total revenue.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt, which bears interest at variable rates based on the LIBOR rate term SOFR, plus a an adjustment of ten basis points, plus an applicable margin spread of 1.25% 1.875% to 2.25%. The Company has an interest rate swap with a notional amount of $40,000,000 on December 31, 2022 2.625%, to convert a portion of borrowings under the Credit Agreement from variable to fixed rates. The valuation of this swap is determined using the one-month LIBOR rate index and mitigates the Company's exposure to interest rate risk. Additionally, interest rates depending on the Company's debt are susceptible of the transition from LIBOR to alternative benchmark rates, such as SOFR. This transition is discussed in greater detail under senior net leverage ratio. See Note 6 - – *Debt*. for more information regarding the Company's debt facility.

Currency Exchange Rate Risk

The Company's currency exposure is concentrated in the Canadian dollar, Mexican peso, New Taiwan dollar, Chinese RMB, and Hong Kong dollar and United Kingdom pound sterling. dollar. Because of the Company's limited exposure to any single foreign market, any exchange gains or losses have not been material and are not expected to be material in the future. As a result, the Company does not attempt to mitigate its foreign currency exposure through the acquisition of any speculative or leveraged financial instruments.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
The Eastern Company
Naugatuck, Shelton, Connecticut

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Eastern Company (the Company) as of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, and the related consolidated statements of income, comprehensive income, stockholders' shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022 December 30, 2023, including the related notes and financial statement schedule appearing under Item 15(a)(2) on Form 10-K (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, 2022 December 30, 2023 and January 1, 2022 December 31, 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022 December 30, 2023, 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, 2022 December 30, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2023 March 12, 2024 expressed an unqualified opinion.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment of Goodwill

Description of the Critical Audit Matter and the Relevant Accounts and Disclosures

As described in Notes 3 and 4 to the financial statements, the Company's consolidated goodwill balance is $70.8 million as of December 31, 2022 December 30, 2023. Management tests reporting units for impairment annually in December, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As disclosed by management, reporting units are tested for impairment by utilizing qualitative factors that include a) macroeconomic conditions, b) market and industry conditions, c) cost factors, d) overall financial performance, e) other relevant entity-specific events, and f) events affecting a reporting unit.

Principal Considerations for the Designation of the Critical Audit Matter

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments is a critical audit matter are (i) the significant judgments and assumptions used by management when developing the qualitative factors that are part of the impairment assessment; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant judgments and assumptions related to the qualitative factors.

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How the Critical Audit Matter was Addressed in the Audit

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessments, including controls over the valuation of the Company's reporting units. assessments. These procedures also included, among others (i) testing management's process for developing the qualitative factors; (ii) evaluating the appropriateness of the qualitative factors; and (iii) testing the completeness and accuracy of underlying data used in the qualitative factors by corroborating and recalculating the relevant metrics. Evaluating management's significant judgments and assumptions related to qualitative factors involved evaluating whether those significant judgments and assumptions used by management were reasonable considering (i) the current and past performance of the reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/Fiondella, Milone & LaSaracina LLP
Fiondella, Milone & LaSaracina LLP

We have served as the Company's auditor since 2009.

Glastonbury, Connecticut
March 14, 2023 12, 2024

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ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Management's Responsibility for Financial Statements

Management is responsible for the integrity and objectivity of all information presented in this Form 10-K. The consolidated financial statements were prepared in conformity with U.S. GAAP and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent registered public accountants, Fiondella, Milone & LaSaracina LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control, and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent registered public accountants. The independent registered public accountants and internal auditors have access to the Audit Committee.

Evaluation of Disclosure Controls and Procedures

As of the end of the fiscal year ended December 31, 2022 December 30, 2023, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 240.13a-15. As defined in Exchange Act Rules 240.13a-15(e) and 240.15d-15(e), "the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's issuers management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure." Based upon that evaluation, the CEO and CFO concluded that the Company's current disclosure controls and procedures were effective as of the December 31, 2022 December 30, 2023 evaluation date.

The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO have concluded that these controls and procedures are effective at the "reasonable assurance" level.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 240.13a-15(f) and 240.15d-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our control over financial reporting was effective as of December 31, 2022 December 30, 2023. The Company's registered public accounting firm, Fiondella, Milone & LaSaracina LLP, has issued an attestation report on the Company's internal control over financial reporting. The attestation report is set forth below in this Item 9A.

Changes in Internal Control over Financial Reporting

During the fourth quarter of 2022, 2023, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
The Eastern Company
Naugatuck, Shelton, Connecticut

Opinion on Internal Control over Financial Reporting

We have audited The Eastern Company's (the Company's) Company) internal control over financial reporting as of December 31, 2022 December 30, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 30, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' shareholders' equity, and cash flows of the Company, and our report dated March 14, 2023 March 12, 2024, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting under Item 9A on Form 10-K. 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Fiondella, Milone & LaSaracina LLP
Fiondella, Milone & LaSaracina LLP

Glastonbury, Connecticut
March 14, 2023 12, 2024

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ITEM 9B OTHER INFORMATION

None.

ITEM 9C Disclosure Regarding Foreign Jurisdictions that Prevent Inspections. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

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PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors is incorporated herein by reference to the information under the captions “Item No. 1 – Election of Directors” in the Company’s definitive proxy statement (the “Proxy Statement”) for the 2023 2024 Annual Meeting of Shareholders, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after December 31, 2022 December 30, 2023.

The information concerning the Company’s executive officers is incorporated herein by reference to the information under the caption “Executive Officer Biographies” in the Proxy Statement.

The information concerning the Company’s Audit Committee is incorporated herein by reference to the information under the captions “Audit Committee Financial Expert” and “The Board of Directors and Committees” in the Proxy Statement. The Audit Committee Charter is also available on the Company’s website at http://www.easterncompany.com by clicking on Corporate Governance in the “About Us” menu.

The information concerning compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the information under the caption “Delinquent Section 16(a) Reports” if any, in the Proxy Statement.

The Company’s Board of Directors has adopted a Code of Business Conduct and Ethics that applies to the Company’s Chief Executive Officer, Chief Financial Officer, and the Company’s other financial professionals. The Code of Business Conduct and Ethics is available on the Company’s website at https://www.easterncompany.com/ by clicking on Corporate Governance in the “About Us” menu. We intend to disclose any amendment or waiver to the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions, on our website within four business days after such amendment or waiver.

ITEM 11 EXECUTIVE COMPENSATION

Information concerning director and executive compensation is incorporated herein by reference to the information under the captions “Director Compensation in Fiscal 2022, 2023,” “Executive Compensation,” “Stock Based Awards,” “Outstanding Equity Awards at Fiscal Year-End,” and “Termination of Employment and Change in Control Arrangements” in the Proxy Statement. The Compensation Committee of the Board of Directors operates under the Compensation Committee Charter, which can be found on the Company’s website at https://www.easterncompany.com/ by clicking on Corporate Governance in the “About Us” menu.

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ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities authorized for issuance under equity compensation plans

The following table sets forth information regarding securities authorized for issuance under the Company's equity compensation plans as of December 31, 2022 December 30, 2023, consisting of the Company's 2020 Executive Stock Incentive Plan (the "2020 Plan").

Equity Compensation Plan Information	Equity Compensation Plan Information								Equity Compensation Plan Information					
Plan category	Number of securities to be issued upon exercise of outstanding awards, warrants and rights		Weighted-average exercise price of outstanding awards, warrants and rights			Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))			Number of securities to be issued upon exercise of outstanding awards, warrants and rights		Weighted-average exercise price of outstanding awards, warrants and rights			Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)		(b)			(c)			(a)		(b)			(c)
Equity compensation plans approved by security holders	43,300		$	23.56		808,101			55,100		$	17.97		880,973
Equity compensation plans not approved by security holders	-			-		-			-			-		-
Total	43,300		**$**	**23.56**		808,101			55,100		$	17.97		880,973

Security ownership of certain beneficial owners and management:

(a) Information concerning security ownership of certain beneficial owners is incorporated herein by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

(b) Information concerning security ownership of management is incorporated herein by reference to the information under the captions "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

(c) Changes in Control

None.

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ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding transactions with related persons is incorporated herein by reference to information under the caption "Policies and Procedures Concerning Related Persons Transactions" in the Proxy Statement. Information regarding director independence is incorporated herein by reference to the information under the captions "Item No.1 – Election of Directors" and "The Board of Directors and Committees" in the Proxy Statement.

ITEM 14 PRINCIPAL ACCOUNTING ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services is incorporated herein by reference to the information under the caption "Item No. 3 – Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

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PART IV

ITEM 15 EXHIBITSAND EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Documents filed as part of this Form 10-K:

(1) Financial statements

(2) Financial Statement Schedules

Schedule II — Valuation and qualifying accounts begins on page [77] [73] of this Form 10-K. Schedules other than that those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

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Exhibit Index

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company (conformed copy) (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2020 (SEC File No. 001-35383) filed on May 6, 2020).
3.2	Amended and Restated By-Laws of the Company, as Amended through March 11, 2022 (incorporated herein by reference to Exhibit 3(ii) to the Company's Current Report on Form 8-K (SEC File No. 001-35383) filed on March 11, 2022).
4	Description of Securities (incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2020 (SEC File No. 001-35383) filed on May 6, 2020).
10.1*	Amended and Restated Employment Agreement, dated as of November 14, 2023, between the Company and Mark Anthony Hernandez (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed November 15, 2023).
10.2*	Amended and Restated Employment Agreement, dated as of January 1, 2018, between the Company and August M. Vlak (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed January 22, 2018).

10.2*	Change in Control Agreement, dated as of March 8, 2021, between the Company and James P. Woidke (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed March 12, 2021). .
10.3*	Termination Agreement, dated as of January 14, 2022, between the Company and James P. Woidke (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed January 19, 2022).
10.4*	Offer Letter, dated March 16, 2022, between the Company and Peter O'Hara (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2022 (SEC File No. 001-35383), filed May 9, 2022).
10.5*	Termination Agreement, dated as of March 16, 2022, between the Company and Peter O'Hara (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed March 17, 2022).
10.6*	Employment Agreement, dated as of January 9, 2023, between the Company and Mark Anthony Hernandez (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed January 13, 2023).
10.7*	Offer Letter, dated February 1, 2023, between the Company and Nicholas Vlahos (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K 8-K/A (SEC File No. 001-35383), filed February 6, 2023).
10.8* 10.4*	Severance Agreement, dated as of February 1, 2023, between the Company and Nicholas Vlahos (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed February 6, 2023).
10.9* 10.5*	The Company's Directors' Fee Program, effective as of October 1, 1996 (incorporated herein by reference to Exhibit 4(a) to the Company's Registration Statement on Form S-8, as amended (SEC File No. 333-21351) filed on February 7, 1997).
10.10* 10.6*	The Company's 2010 Executive Stock Incentive Plan, effective July 20, 2010 (incorporated herein by reference to Exhibit 4a to the Company's Registration Statement on Form S-8 (SEC File No. 333-169169), filed on September 2, 2010).
10.11*	The Company's 2020 Executive Stock Incentive Plan, effective February 19, 2020 (incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (SEC File No. 333-238565), filed on May 21, 2020).

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10.12 10.7	Credit Agreement dated as of August 30, 2019 June 16, 2023 among the Company as Borrower, the lenders from time to time party Lenders signatory thereto and Santander TD Bank, N.A., as the administrative agent an LC Issuer (as therein defined), and as the Swing Line Lender (as therein defined) (incorporated herein by reference to Exhibit 99.1 10.1 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed on September 3, 2019 June 20, 2023).
10.13 10.8	Pledge and Security Agreement, dated as of August 30, 2019 June 16, 2023 among the Company, certain of its subsidiaries (as grantors), and Santander TD Bank, N.A., as administrative agent for the benefit of the Secured Creditors (as defined therein) (incorporated herein by reference to Exhibit 99.2 10.2 to the Company's Current Report on Form 8-K (SEC File No. 001-35383), filed on September 3, 2019 June 20, 2023).
10.9*	Form of The Eastern Company Stock Award Agreement (filed herewith)
21	Subsidiaries of the Company (filed herewith).
23	Consent of Fiondella, Milone & LaSaracina LLP (filed herewith).
31	Rule 13a-14(a) Certification of Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99 97	Letter to our shareholders from The Eastern Company Clawback Policy in the Annual Report 2022 Event of a Financial Restatement (filed herewith).

101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 30, 2023, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets as of December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022; (ii) the Consolidated Statements of Income for the fiscal years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022; (iii) the Consolidated Statements of Comprehensive Income for the fiscal years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022; (iv) the Consolidated Statements of Shareholders' Equity for the fiscal years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022; (v) the Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2022 December 30, 2023 and January 1, 2022 December 31, 2022; and (vi) the Notes to the Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Management contract, compensatory plan or arrangement.

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ITEM 16 FORM 10-K SUMMARY

None.

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The Eastern Company and Subsidiaries

Schedule II – Valuation and Qualifying accounts

COL. A	COL. B	COL. C ADDITIONS		COL. D	COL. E	COL. B	COL. C ADDITIONS		COL. D	COL. E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts-Describe	Deductions – Describe	Balance at End of Period	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts-Describe	Deductions – Describe	Balance at End of Period
Fiscal year ended December 30, 2023: Deducted from asset accounts: Allowance for doubtful accounts						$ 676,678	$ 51,270	$ 0	$ -163,132 (a)	$ 564,816
Fiscal year ended December 31, 2022: Deducted from asset accounts: Allowance for doubtful accounts	$ 515,000	$ 629,000	$ 0 (b)	$ -467,000 (a)	$ 677,000	$ 515,000	$ 629,000	$ 0	$ -467,000 (a)	$ 677,000

Fiscal year ended January 1, 2022: Deducted from asset accounts: Allowance for doubtful accounts	$ 545,000	$ 43,000	$ -72,000 (b)	$ 0 (a)	$ 515,000

(a) Uncollectible accounts written off, net of recoveries.

(b) Disposed companies ending balances.

ITEM 16 FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 14, 2023 March 12, 2024

THE EASTERN COMPANY

By /s/ Nicholas Vlahos
Nicholas Vlahos
Chief Financial Officer

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

/s/ Mark A. Hernandez **Mark A. Hernandez** President, Chief Executive Officer, and Director (Principal Executive Officer)	March 14, 2023 12, 2024
/s/ Nicholas Vlahos **Nicholas Vlahos** Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 14, 2023 12, 2024
/s/ James A. Mitarotonda **James A. Mitarotonda** Chairman of the Board	March 14, 2023 12, 2024
/s/ Fredrick D. DiSanto **Fredrick D. DiSanto** Director	March 14, 2023 12, 2024
/s/ John W. Everets	March 14, 2023 12, 2024

John W. Everets
Director

/s/ Charles W. Henry	March 14, 2023 12, 2024

Charles W. Henry
Director

/s/ Peggy B. Scott	March 14, 2023 12, 2024

Peggy B. Scott
Director

/s/ Michael J. Mardy	March 14, 2023 12, 2024

Michael J. Mardy
Director

EXHIBIT 10.9

THE EASTERN COMPANY

2020 EXECUTIVE STOCK INCENTIVE PLAN

STOCK AWARD AGREEMENT

AGREEMENT made as of _____ __, 20__ between THE EASTERNCOMPANY, a Connecticut corporation (hereinafter called the "Company") and ________ (hereinafter called the "Executive").

W I T N E S S E T H

WHEREAS, the Board of Directors of the Company has established The Eastern Company 2020 Executive Stock Incentive Plan (the "Plan") in order to provide selected employees of the Company and its affiliated companies with awards of compensation based on the value of the shares of common stock of the Company; and

WHEREAS, pursuant to Section 6.2 of the Plan, the Compensation Committee of the Board of Directors of the Company (the "Committee") may from time to time award shares of stock; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to award, on a contingent basis, the shares of stock described in this Agreement to the Executive as an inducement for the Executive to remain in the service of the Company or its division or subsidiary corporations (as such terms are defined in Section 424 of the Internal Revenue Code of 1986, as amended) (collectively, the "Company Group"), and as an incentive for extraordinary efforts during such service:

NOW, THEREFORE, it is agreed as follows:

1) **Agreement to Grant Stock**. The Company hereby agrees to grant to the Executive up to a maximum of ________ (____) shares of common stock, no par value per share, of the Company (the "Stock"), subject to the terms and conditions hereinafter set forth.

2) **Issuance of Stock**. The shares of Stock shall be issued to the Executive as of the dates set forth in Section 3, subject to the satisfaction of the requirements set forth therein. Since the shares of Stock are being issued to the Executive at zero cost, no payment is required for the issuance of the shares. The certificate or certificates for the shares of Stock shall be registered in the name of the Executive and shall be issued in accordance with the provisions of Section 5.

3) **Performance Goals and Grant Dates**.

a) **Grant Dates**. Shares of the Stock shall be issued to Executive on the _____ __, 20__, _____ __, 20__ and _____ __, 20__ (the "Grant Dates") as set forth below, provided that the Executive remains an employee of the Company Group on each Grant Date and the Company's achievement of two performance thresholds.

(i) Issuance based on continued employment (a total of __% of Stock subject to Grant):

- ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Executive remains a full time employee of the Company on _____ __, 20__.
- ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Executive remains a full time employee of the Company on _____ __, 20__.
- ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Executive remains a full time employee of the Company on _____ __, 20__.

(ii) Issuance based on the Company's earnings before interest, taxes, depreciation, and amortization ("EBITDA") (__% of the Stock subject to the Grant):

- 20__ Target

- ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the twelve (12) months ending _____ __, 20__ is equal to or greater than _________ dollars ($___).

- ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's EBITDA for the twelve (12) months ending _____ __, 20__ is equal to ________ dollars ($___).

- The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the EBITDA achieved that falls between $___ and $___, based upon the percent of the incremental EBITDA achieved.

- 20__ Target
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the twelve (12) months ending _____ __, 20__ is equal to or greater than ________ dollars ($___).
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's EBITDA for the twelve (12) months ending _____ __, 20__ is equal to _______ dollars ($___).
  - The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the EBITDA achieved that falls between $___ and $___, based upon the percent of the incremental EBITDA achieved.
- 20__ Target
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the twelve (12) months ending _____ __, 20__ is equal to or greater than _______ dollars ($___).
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's EBITDA for the twelve (12) months ending _____ __, 20__ is equal to _______ dollars ($___).
  - The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the EBITDA achieved that falls between $___ and $___, based upon the percent of the incremental EBITDA achieved.

(iii) Issuance based on the Company's return on invested capital ("ROCE") (__% of the Stock subject to the Grant):

- 20__ Target
  - ____ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's return on invested capital ("ROCE") for the twelve (12) months ending _____ __, 20__ is equal to or greater than ___%.
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's ROCE for the twelve (12) months ending _____ __, 20__ is equal to ___%.
  - The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the ROCE achieved that falls between ___% and ___%, based upon the percent of the incremental ROCE achieved.

- 20__ Target
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's return on invested capital ("ROCE") for the twelve (12) months ending _____ __, 20__ is equal to or greater than ___%.
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's ROCE for the twelve (12) months ending _____ __, 20__ is equal to ___%.

- The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the ROCE achieved that falls between ___% and ___%, based upon the percent of the incremental ROCE achieved.

- 20__ Target
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's return on invested capital ("ROCE") for the twelve (12) months ending _____ __, 20__ is equal to or greater than ___%.
  - ___ shares of Stock shall be issued on the Grant Date of _____ __, 20__ if the Company's ROCE for the twelve (12) months ending _____ __, 20__ is equal to ___%.
  - The Executive shall also receive a pro-rata number of shares of Stock between ___ and ___ on the Grant Date of _____ __, 20__ for any portion of the ROCE achieved that falls between ___% and ___%, based upon the percent of the incremental ROCE achieved.
- The Company's computation of ROCE does not include any potential acquisitions. The Company shall compute ROCE by dividing (I) total fiscal year adjusted earnings before interest and taxes by (II) total assets less total current liabilities.

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b) **Forfeiture.** Any shares of Stock which are not required to be issued on the Grant Date pursuant to this Section 3(a) shall be forfeited and shall not thereafter be granted, except to the extent provided in Section 3(c).

c) **Issuance upon a Change in Control**. Notwithstanding the provisions of Section 3(a) and Section 3(b), upon a Change in Control of the Company on or before the Grant Date, one hundred percent (100%) of the Stock shall be issued to the Executive pursuant to this Agreement, *provided that* the shares of Stock have not previously been forfeited pursuant to Section 3(d) below or Section 5.

For purposes of this Section 3(c), a Change in Control shall mean:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the outstanding securities of the Company (the "Outstanding Voting Securities"); *provided, however*, that for purposes of this Section 3(c)(i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of Section 3(c)(iii); or

(ii) Individuals who, as of the date of this Agreement, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Company; *provided, however*, that any individual who becomes a director subsequent to the date of this Agreement and whose election, or nomination for election, by the shareholders of the Company was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

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(iii) Consummation of a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination") unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than eighty percent (80%) of the combined voting power of the then outstanding voting securities of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Voting Securities; (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the governing board of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

d) **Forfeiture**. If the Executive is not entitled to the issuance of shares of the Stock pursuant to this Section 3 on or before the Grant Date (or on or before the Extended Grant Date if Section 3(b) is applicable), then Executive's rights to the issuance and grant of such shares shall automatically be forfeited, and the Executive shall have no rights with respect to such shares.

4) **Termination of Employment**. In the event that the Executive's employment with the Company terminates prior to the Grant Date, then Executive's rights to the issuance and grant of such shares shall automatically be forfeited, and the Executive shall have no rights with respect to such shares. If the Company has granted the right to issuance and grant in the event of termination in any other agreement with the Executive, the rights to the issuance and grant in the other agreement shall prevail.

For purposes of this Agreement, the Executive's employment with the Company Group shall not be deemed to have terminated if the Executive is on a bona fide leave of absence that was approved by a member of the Company Group in writing in advance, *provided that* the terms of the leave of absence or applicable law require the Executive to be credited with service with such member of the Company Group during the leave of absence. Notwithstanding the above, the Executive's employment with the Company Group shall be deemed to have terminated when the approved leave of absence ends if the Executive does not immediately return to active employment with a member of the Company Group. The Committee shall have the sole discretion to determine which leaves of absence will count for this purpose, and when the Executive's employment with the Company Group shall be deemed to have terminated.

5) **Issuance of Stock Certificates**.

a) Within a reasonable period of time after the Grant Date, the Company shall issue in the name of the Executive a certificate or certificates representing the shares of Stock.

b) Upon the issuance of a certificate or certificates representing shares of Stock in accordance with the provisions of Section 5(a), the Executive shall thereupon be deemed to be a shareholder with respect to all of the shares of the Company's common stock represented by such certificate or certificates. The Executive shall thereafter have, with respect to such shares, all of the rights of a shareholder of the Company (including the right to vote the shares of Stock and the right to receive any cash or stock dividends on such Stock).

6) **Adjustment of Shares of Stock**

a) If through, or as a result of, any merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, but excluding issuance of shares of stock as the result of incentive compensation or other customary remuneration: (i) the outstanding shares of common stock of the Company are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to shares of common stock of the Company or other securities, then the aggregate number of shares of Stock shall be proportionately adjusted.

b) Any adjustments under this Section 6 will be made by the Board of Directors of the Company, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued pursuant to the Stock on account of any such adjustments.

c) The grant of the Stock shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate, or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

7) **Assignment**. This Agreement may not be assigned, transferred, pledged or hypothecated in any way (whether by operation of law or otherwise) other than by will or the laws of descent and distribution and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge or hypothecation of this Agreement which is contrary to the provisions hereof, and any levy upon, attachment of or similar process with respect to this Agreement, shall be null and void and without effect. The Company shall have the right to terminate this Agreement, in the event of any such assignment, transfer, pledge, hypothecation, levy, attachment or similar process, by notice to that effect to the person then entitled to exercise the Executive's rights under this Agreement; *provided, however*, that such a termination of this Agreement shall not prejudice any rights or remedies which the Company may have under this Agreement or otherwise.

8) **Rights of Executive**. The Executive shall have no rights as a shareholder with respect to the shares of Stock subject to this Agreement prior to the Grant Date.

9) **Plan Incorporated**. The Eastern Company 2020 Executive Stock Incentive Plan (which was approved by the Company's shareholders at their annual meeting on April 29, 2020) is incorporated herein and made a part hereof as if fully set forth herein. The Plan and any subsequent amendment thereto shall control in the event there is any conflict between the Plan and this Agreement and as to all such matters as are not covered in this Agreement. In the event the Plan is hereafter amended so as to conflict with any of the terms and provisions hereof or to require the inclusion of additional terms herein, then upon the effective date of said amendment this Agreement shall be deemed amended to fully comply therewith.

10) **Continuance of Employment**. Neither the Plan nor the granting of any rights to acquire shares of Stock imposes any obligation on the Company or any parent or subsidiary corporation to continue the employment of the Executive.

11) **Disputes**. Any dispute or disagreement which shall arise under or as a result of, or in any way relate to the interpretation or construction of, this Agreement shall be resolved by the Committee.

12) **Binding Effect**. All obligations imposed upon the Executive and all rights granted to the Company hereunder or under the Plan shall be binding upon the Executive's heirs, legal representatives and successors.

13) **SecuritiesLaw Considerations**

a) The shares of Stock to be issued under the Plan have been registered under the Securities Act of 1933, as amended (the "Securities Act") on Form S-8. Notwithstanding the above, the Company shall not be obligated to take any other action in order to cause the issuance of the shares of Stock under this Agreement to comply with any law.

b) The Executive, by accepting this contingent award of the Stock, does hereby represent that, by virtue of his position with the Company, the Executive has access to the kind of financial and other information about the Company as would be contained in a registration statement filed under the Securities Act.

c) The provisions of this Section 13(c) shall apply to this contingent award of Stock except to the extent that, in the opinion of counsel for the Company, such provisions are not required by the Securities Act or any other applicable law, regulation or rule of any governmental agency.

The Executive hereby represents, warrants and covenants that:

(i) The shares of Stock shall be acquired for the Executive's account for investment only and not with a view to, or for sale in connection with, any distribution of the shares in violation of the Securities Act or any rule or regulation under the Securities Act.

(ii) The Executive has had such opportunity as he has deemed adequate to obtain from representatives of the Company such information as is necessary to permit the Executive to evaluate the merits and risks of his investment in shares of common stock of the Company.

(v) The Executive is able to bear the economic risk of holding the shares of Stock for an indefinite period.

(vi) The shares of Stock have been registered under the Securities Act on Form S-8. Because the shares were registered, they are not restricted securities for purposes of Rule 144. However, if the Executive is an affiliate of the Company for purposes of Rule 144, the shares will constitute affiliate shares for purposes of Rule 144. According to Rule 144(b)(2), shares owned by an affiliate are subject to the following restrictions of Rule 144: (i) adequate current public information regarding the Company must be available; (ii) the amount of securities sold by the affiliate during a three month period cannot exceed the greater of one percent (1%) of the Company's issued and outstanding shares of common stock or the average weekly trading volume of the Company's common stock during the preceding four week period; (iii) the shares must be sold in a broker's transaction; and (iv) the affiliate must file Form 144 if the shares of common stock of the Company sold during a three month period exceed 5,000 shares or have an aggregate sale price in excess of $50,000.

(vii) The Executive agrees that, if the Company offers for sale for the first time any shares of common stock of the Company pursuant to a registration statement under the Securities Act, the Executive will not, without the prior written consent of the Company, publicly offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any shares of Stock for a period of one hundred eighty (180) days after the effective date of such registration statement.

(viii) The Company may impose restrictions upon the sale, pledge or other transfer of any shares of Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

14) **Certain Cutback of Payments**. Notwithstanding anything to the contrary in this Agreement, if the issuance of any shares of Stock pursuant to this Agreement is deemed to constitute a "parachute payment" under Code Section 280G, then the sum of such parachute payment and any other payments made by the Company to the Executive which are considered parachute payments shall be limited to the greatest amount which may be paid to the Executive under Code Section 280G without causing any loss of deduction to the Company under Code Section 280G, *but only if*, by reason of such reduction, the Committee reasonably determines that the net after-tax benefit of the Executive shall exceed the net after-tax benefit if such reduction were not made. The Company shall accomplish any such reduction required pursuant to this Section 15 by first reducing or eliminating any cash payments (with the payments to be made furthest in the future being reduced first and then by reducing or eliminating any other remaining parachute payments.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

THE EASTERN COMPANY	GRANTEE
By: ______________________	By: ______________________
Name: Fred DiSanto	Name:
Title: Chairman of Compensation Comm.	Address:

Address: 3 Enterprise Drive, Suite 408

Shelton, CT 06484

EXHIBIT 21

LIST OF DIVISIONS AND SUBSIDIARIES

OF

THE EASTERN COMPANY

Name of Division	**State or Other Jurisdiction of Incorporation or Organization**
Eberhard Manufacturing	Ohio
Illinois Lock Company	Illinois

Name of Subsidiary	
Associated Toolmakers Ltd.	England
Big 3 Precision Products, Inc.	Delaware
Big 3 Precision Mold Services, Inc.	Delaware
Dongguan Reeworld Security Products Ltd.	China
Eastern Engineered Systems, Inc.	Delaware
Eastern Industrial Ltd	China
Hallink Moulds, Inc.	Canada
Velvac Holdings, Inc.	Delaware
Velvac, Inc.	Delaware
Velvac International, Inc.	Delaware
Velvac de Reynosa, S. De R.L. De C.V.	Mexico
World Lock Company Ltd.	Taiwan
World Security Industries Co. Ltd.	Hong Kong

S

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in this Annual Report on Form 10-K of The Eastern Company for the year ended December 30, 2023 of our reports dated March 12, 2024 included in its Registration Statement on Form S-8 (Nos. 333-21351, 333-169169 and 333-238565) of our reports dated March 14, 2023, appearing in this Annual Report on Form 10-K of The Eastern Company relating to the consolidated financial statements and financial statement schedule and internal controls for the two years ended December 31, 2022 December 30, 2023 listed in the accompanying index.

/s/Fiondella, Milone & LaSaracina LLP
Fiondella, Milone & LaSaracina LLP

Glastonbury, Connecticut
March 14, 2023 12, 2024

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EXHIBIT 31

CERTIFICATIONS

I, Mark A. Hernandez, certify that:

1. I have reviewed this report on Form 10-K of The Eastern Company.

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

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

4. The registrant's other certifying officer(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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial 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, which involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2023

/s/ Mark A. Hernandez
Mark A. Hernandez
CEO

EXHIBIT 31

CERTIFICATIONS

I, Nicholas Vlahos, certify that:

1. I have reviewed this report on Form 10-K of The Eastern Company.

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

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

4. The registrant's other certifying officer(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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial 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, which involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 12, 2024

/s/ Mark A. Hernandez

Mark A. Hernandez
CEO

EXHIBIT 31

CERTIFICATIONS

I, Nicholas Vlahos, certify that:

1. I have reviewed this report on Form 10-K of The Eastern Company.

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

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

4. The registrant's other certifying officer(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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial 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, which involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2023 March 12, 2024

/s/ Nicholas Vlahos

Nicholas Vlahos

CFO

CFO

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EXHIBIT 32

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
Pursuant to 18 United States Code § 1350,
as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Mark A. Hernandez, the Chief Executive Officer of The Eastern Company (the "Company") and Nicholas Vlahos, the Chief Financial Officer of the Company, hereby certify that, to the best of their knowledge:

1) The Company's Annual Report on Form 10-K for the period ended December 31, 2022 December 30, 2023, and to which this certification is attached as Exhibit 32 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 14 12th day of March, 2023. 2024.

/s/ Mark A. Hernandez

Mark A. Hernandez

CEO

/s/ Nicholas Vlahos

Nicholas Vlahos

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

This certification “accompanies” the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K, irrespective of any general incorporation language contained in such filing.)

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EXHIBIT 99 97

2023 LETTER TO SHAREHOLDERS The Eastern Company

Clawback Policy in the Event of a Financial Restatement

To our Shareholders: **I. Purpose**

2022 represented The purpose of this Clawback Policy in the Event of a year Financial Restatement, as may be amended from time to time (this “Policy”), is to describe the circumstances under which a Covered Executive (as defined below) will be required to repay or return Incentive Compensation (as defined below) to The Eastern Company (the “Company”). Each Covered Executive is required to sign and return to the Company the acknowledgement form attached to this Policy pursuant to which such Covered Executive will agree to be bound by, and to abide by, the terms of continued transformation and focus on our core operations for ongoing long-term growth and shareholder value creation.

Net Sales from continuing operations for 2022 this Policy (“Acknowledgement Form”). This Policy is effective as of $279 million increased 13% compared to 2021 net sales from continuing operations of $246 million [October 2], benefitting from increased demand across our commercial vehicle and industrial markets. Like many businesses, we experienced supply chain disruptions, material cost increases, and increasing freight costs. We were able to partially mitigate these cost increases through timely pricing and cost recovery actions. In addition, we also reduced late deliveries and our order backlog through active sourcing and supply chain management and ended 2022 with lower working capital as a percentage of sales at 26.1% compared to 27.2% in 2021. Cashflow from operations rebounded well in 2022, generating $7.3 million compared to using $7.8 million in 2021. This strong cashflow generation allowed us to paydown $7.2 million in debt and allowed us to increase our cash on hand at the end of 2022 by $4.0 million 2023 (the “Effective Date”). At the same time, we continued with our share repurchase program in 2022, repurchasing 70,120 shares or approximately 1% of Company stock. Our balance sheet remains strong with our net leverage ratio decreasing to 2.27x as compared to 2.46x at the end of 2021. In 2022, we completed the divestiture of our remaining non-core business enabling us to focus on our larger businesses with the most opportunity for growth.

We finalized the combination of our Eberhard and Illinois Lock businesses in 2022, allowing us to leverage our scale and operating synergies while we continued to take advantage in near-shoring capabilities at our Reynosa, Mexico facility.

In addition, we realigned our senior management team with an eye towards improving our operating performance and our execution capabilities.

2023 and forward II. Administration

We will relentlessly focus This Policy shall be administered by the Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”). The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determinations made by the Committee shall be final and binding on operations, employee safety, and logistical efficiencies all affected individuals.

III. Definitions

For purposes of this Policy, the following capitalized terms have the meanings set forth below. Other defined terms not defined in 2023. Our focus on generating strong free cash flow will be aided by continued strong sales demand this section are defined elsewhere in this Policy.

A. “Accounting Restatement” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (a) to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or (b) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were corrected in the automotive current period or left uncorrected in the current period (a “little r” restatement).

The following types of changes to financial statements do not represent error corrections, and commercial vehicle markets, therefore would not trigger application of this Policy: (a) retrospective application of a change in accounting principle; (b) retrospective revision to reportable segment information due to a change in the structure of the Company’s internal organization; (c) retrospective reclassification due to a discontinued operation; (d) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; or (e) retrospective revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure. The foregoing list is not intended to be exhaustive and moderating freight, raw material, is subject to any changes in applicable accounting standards.

B. “Covered Executive” has the meaning set forth in Section IV below.

C. "Eligible Incentive Compensation" means all Incentive Compensation (as defined below) that is Received (as defined below) by a Covered Executive (a) on or after the Effective Date and labor cost increases. We are committed after beginning service as a Covered Executive, (b) who served as a Covered Executive at any time during the performance period for that Incentive Compensation, (c) while the Company has a class of securities listed on The Nasdaq Stock Market LLC ("Nasdaq") or another national securities exchange or national securities association, and (d) during the applicable Recovery Period (as defined below). For purposes of clarity, in order for Incentive Compensation to operational excellence. Our company will play a unique role qualify as Eligible Incentive Compensation, all four of the industry embraces the move to electrification, digitization, and automation, all of which we are well positioned to take advantage. We believe that our business capabilities are closely aligned with sustainable mobility through returnable packaging and commercial vehicle accessories that reduce wind resistance and allow for improved miles per gallon, hence reducing our customer's carbon footprint. In 2022, we embraced the GRI framework with standards set by the Global Sustainability Standards Board (GSSB) which we believe will conditions listed in this Section III.C must be good for the industry and good for our shareholders. satisfied.

2023 will be a year **D.** "Excess Compensation" means, with respect to each Covered Executive in connection with an Accounting Restatement, the amount of focus on improving our operating performance and efficiencies Eligible Incentive Compensation that exceeds the amount of our production facilities, and improving returns for our shareholders. We thank you for your continued support and look forward to executing Incentive Compensation that otherwise would have been Received had it been determined based on the opportunities facing us.

Mark A. Hernandez
President and Chief Executive Officer

James A. Mitarotonda
Chairman of restated amounts, computed without regard to any taxes paid, as determined by the Board Committee.

Safe Harbor for Forward-Looking Statements **E.**

Statements in this document about our future expectations, beliefs, goals, plans, or prospects constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the Securities and Exchange Commission. Any statements "Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) are considered Financial Reporting Measures for purposes of this Policy. For the avoidance of doubt, a Financial Reporting Measure need not statements of historical fact, including statements containing the words "would," "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intend," "continue," "plan," "potential," "opportunities," "recovering," "opportunities," or similar terms or variations of those terms or the negative of those terms, should also be considered to be forward-looking statements. Readers should not place undue reliance on these forward-looking statements, which are based upon management's current beliefs and expectations. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements. The risks and uncertainties that could cause actual results or events to differ materially from those indicated by such forward-looking statements. include, but are not limited to, the impact of the COVID-19 pandemic and resulting economic effects, including supply chain disruptions, cost inflation, rising interest rates, delays in delivery of our products to our customers, impact on demand for our products, reductions in production levels, increased costs, including costs of raw materials, the impact on global economic conditions, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, and the impact of market conditions on pension plan funded status. Other factors include, but are not limited to: restrictions on operating flexibility imposed by the agreement governing our credit facility; the effect on interest rates of the replacement of the London Interbank Offered Rate (LIBOR) with a Secured Overnight Financing Rate (SOFR); risks associated with doing business overseas, including fluctuations in exchange rates and the inability to repatriate foreign cash, the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs and the impact of political, economic and social instability; the inability to achieve the savings expected from global sourcing of materials; the impact of higher raw material and component costs, including the impact of supply chain shortages and inflation, particularly steel, plastics, scrap iron, zinc, copper and electronic components; lower-cost competition; our ability to design, introduce and sell new or updated products and related components; market acceptance of our products; the inability to attain expected benefits from acquisitions or the inability to effectively integrate such acquisitions and achieve expected synergies; domestic and international economic conditions, including the impact, length and degree of economic downturns on the customers and markets we serve and more specifically conditions presented in the automotive, construction, aerospace, energy, oil and gas, transportation, electronic, and general industrial markets; costs and liabilities associated with environmental compliance; the impact of climate change Company's financial statements or terrorist threats and the possible responses by the U.S. and foreign governments; failure to protect our intellectual property; cyberattacks; materially adverse or unanticipated legal judgments, fines, penalties or settlements. There are important, additional factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including those set forth included in our reports and filings a filing with the Securities and Exchange Commission. We undertake no obligation Commission ("SEC").

F. "Incentive Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

G. Incentive Compensation shall be deemed "Received" by a Covered Executive in the Company's fiscal period during which the Financial Reporting Measure applicable to update, alter, such Incentive Compensation is attained, even if payment or otherwise revise grant of the Incentive Compensation occurs after the end of that period.

H. "Recovery Period" means, with respect to any forward-looking Accounting Restatement, the Company's three completed fiscal years immediately preceding the Restatement Date (as defined below) and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

I. "Restatement Date" means the earlier to occur of (a) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

IV. Covered Executives

This Policy applies to each individual who is or was designated as an "officer" of the Company under Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (each a "Covered Executive"), whether or not such Covered Executive is serving at the time the Excess Compensation is required to be repaid to the Company. This Policy will apply without regard to whether any misconduct occurred or whether the Covered Executive had any individual knowledge or responsibility related to the erroneous financial statements whether written necessitating the relevant Accounting Restatement. For the avoidance of doubt, in the event that a Covered Executive engages in fraud or oral, misconduct under The Eastern Company Clawback Policy in the Event of Fraud or Misconduct (the "Misconduct Clawback Policy") that may leads to an Accounting Restatement under this Policy, the amount to be made from time to time, whether recovered shall be the greater of the amount of Excess Compensation calculated in accordance with this Policy and the amount of the Overpayment as a result of new information, future events, or otherwise. calculated under the Misconduct Clawback Policy.

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V. Recoupment of Excess Compensation; Accounting Restatement

A. In the event of an Accounting Restatement, the Company will recover reasonably promptly any Excess Compensation in accordance with this Policy. Accordingly, the Committee will promptly determine the amount of any Excess Compensation for each Covered Executive in connection with such Accounting Restatement and will promptly thereafter provide each Covered Executive with a written notice regarding the required repayment or return, as applicable, and setting forth the amount of Excess Compensation due. For Eligible Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Excess Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount will be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Eligible Incentive Compensation was Received (in which case, the Company will maintain documentation of the determination of such reasonable estimate and provide such documentation to Nasdaq).

B. The Board has broad discretion, based on all applicable facts and circumstances, including consideration of pursuing an appropriate balance of cost and speed of recovery, to determine the appropriate means of recovery of Excess Compensation, subject to it occurring reasonably promptly. To the extent that the Committee determines that a method of recovery other than repayment by the Covered Executive in a lump sum in cash or property is appropriate, the Company will, subject to Section V.D, determine alternative means of recovery, which may include an offer to enter into a repayment agreement (in a form reasonably acceptable to the Committee) with the Covered Executive. For the avoidance of doubt, except as set forth in Section V.D below, in no event may the Company accept an amount that is less than the amount of Excess Compensation in satisfaction of a Covered Executive's obligations under this Policy.

C. To the extent that a Covered Executive fails to repay all Excess Compensation to the Company when due (as determined in accordance with Section V.B above), the Company will take all actions reasonable and appropriate to recover such Excess Compensation from the applicable Covered Executive. The applicable Covered Executive may, in the discretion of the Committee, be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Excess Compensation in accordance with the immediately preceding sentence.

D. Notwithstanding anything in this Policy to the contrary, the Company will not be required to take the actions contemplated by this Section V if the following conditions are met and the Committee determines that recovery would be impracticable:

1. The direct expenses paid to a third party to assist in enforcing the Policy against a Covered Executive would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Excess Compensation, documented such attempts and provided such documentation to Nasdaq;

2. Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Excess Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or

3. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

VI. Indemnification Prohibition

The Company is prohibited from indemnifying any Covered Executive against the loss of any Excess Compensation that is repaid, returned or recovered in accordance with the terms of this Policy or any claims relating to the Company's enforcement of its rights under this Policy. This prohibition also applies to payment to, or reimbursement of, a Covered Executive for premiums for any insurance policy covering any potential losses under this Policy. Further, the Company may not enter into any agreement that exempts any Incentive Compensation from the application of this Policy or that waives the Company's right to recovery of any Excess Compensation, and this Policy will supersede any such agreement (whether entered into before, on or after the Effective Date).

VII. Amendment; Termination

The Committee may amend or terminate this Policy from time to time in its discretion. Notwithstanding anything in this section to the contrary, no amendment or termination of this Policy will be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or the rules of Nasdaq or any national securities exchange or national securities association on which the Company's securities are then listed.

VIII. Other Recoupment Rights; No Additional Payments

The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require, through execution of the Acknowledgment Form or otherwise, that any employment agreement, equity award agreement, or any other agreement, plan or arrangement entered into or adopted on or after the Effective Date will, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Except as otherwise explicitly provided for in this Policy, any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under the Sarbanes-Oxley Act of 2002 or other applicable law, regulation, rule, or Company policy, or pursuant to the terms of any employment agreement, equity award agreement, or similar agreement, plan or arrangement and any other legal remedies available to the Company.

IX. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

<u>Appendix</u>

The Eastern Company

Clawback Policy in the Event of a Financial Restatement

Acknowledgment Form

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Company's Clawback Policy in the Event of a Financial Restatement, as may be amended from time to time (the "Policy"). Capitalized terms used but not otherwise defined in this Acknowledgement Form have the meaning set forth in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy both during and after the undersigned's employment with the Company and that the terms of the Policy are hereby incorporated by reference in any agreement, plan or arrangement providing for payment of Incentive Compensation to any Covered Executive. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning or repaying any Excess Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner permitted by, the Policy.

____
Signature

____
Printed Name

___________ ___, 20__
Dated

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