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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: **April 3, 2017**
(Date of earliest event reported)

The Eastern Company

(Exact name of Registrant as specified in its charter)

Connecticut	0-599	06-0330020
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer identification No.)

112 Bridge Street, Naugatuck, Connecticut	06770
(Address of principal executive offices)	(Zip Code)

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

____
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2)

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

This Current Report on Form 8-K/A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect the Company's current expectations regarding its products, its markets and its future financial and operating performance. These forward looking statements involve a number of risks and uncertainties, and actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, unanticipated slowdowns in the Company's major markets, changing customer preferences, lack of success of new products, changes within our industry segments and in the overall economy, litigation, legislation, loss of customers, competition, increased raw material prices, problems associated with foreign sourcing of parts and products, worldwide conditions and foreign currency fluctuations, the impact of the acquisition and integration of Velvac Holdings, Inc. and its subsidiaries, and other factors that may affect results of operations discussed from time to time, in the Company's filings with the Securities and Exchange Commission

In addition, terrorist threats and the possible responses by the U.S. and foreign governments, the effects on consumer demand, the financial markets, the travel industry, the trucking industry and other conditions increase the uncertainty inherent in forward-looking statements. Forward-looking statements reflect the expectations of the Company at the time they are made, and investor should rely on them only as expressions of opinion about what my happen in the future and only at the time they are made. The Company undertakes no obligation to update any forward-looking statement. 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 it business strategies to address changing conditions.

Explanatory Note

On April 3, 2017, the Company completed a Securities Purchase Agreement (the "Securities Purchase Agreement") with Velvac Holdings, Inc., a Delaware corporation ("Velvac"), Jeffery R. Porter, W. Greg Bland, John Backovitch, Dave Otto, Bob Otto, Timothy Rintelman, Robert Brester, Dan Mcgrew, Mark Moeller, Prospect Partners II, L.P. (collectively, the "Sellers"). Pursuant to the Securities Purchase Agreement, the Company acquired 100% of the issued and outstanding stock of Velvac from the Sellers (the "Acquisition") for $39.5 million and an earnout consideration contingent upon Velvac achieving minimum earnings performance levels and based on sales of Velvac's new proprietary Road-iQ product line (the "Earnout Consideration"). The Acquisition was financed with a $31 million term loan from People's United Bank, National Association ("People's"), a $5 million draw down on the Company's $10 million revolving credit facility with People's and $3.5 million in cash.

In the Company's current report on Form 8-K filed on April 7, 2017 to report the acquisition (the "Initial Form 8-K"), the Company indicated that the financial statements and pro forma financial information under Item 9.01 of Form 8-Kwould be filed no later than 71 days after the date of the Initial Form 8-K reporting the Acquisition was required to be filed. This amendment to the Initial Form 8-K, is to (a) provide the financial statements and pro forma financial information required by Item 9.01 of Form 8-K and (b) to correctly identify in item 2.03 the source of the funds (Company cash) used to repay the Company's then existing term loan with People's.

Item 2.03 Creation of a Direct Financial Obligation

On April 3, 2017, the Company signed an amended and restated loan agreement (the "Loan Agreement") with People's United Bank, National Association that included a $31 million term portion and a $10 million revolving credit portion. The full proceeds of the term portion, $5 million of the revolving credit portion, and $3.5 million of Company cash on hand was used to acquire 100% of the issued and outstanding stock of Velvac Holdings, Inc. In connection with the Loan Agreement, the Company also used its cash on hand to repay the remaining balance of its then outstanding term loan (approximately $1.4 million) with the lender. The term portion of the loan requires quarterly principal payments of $387,500 for a two-year period beginning July 3, 2017. The repayment amount then increases to $775,000 per quarter beginning July 1, 2019. The term loan is a five-year loan with the remaining balance due on March 1, 2022. The revolving credit portion has a quarterly commitment fee ranging from 0.2% to 0.375% based on operating results. Under the terms of the Agreement, this rate will be 0.25% for the first six months. The revolving credit portion has a maturity date of April 1, 2022. On April 3, 2017, the Company borrowed approximately $6.6 million on the revolving credit facility.

The interest rates on the term and revolving credit portion of the Loan Agreement vary. The interest rates may vary based on the LIBOR rate plus a margin spread of 1.75% to 2.50%. The margin spread is based on operating results calculated on a rolling-four-quarter basis. The Company may also borrow funds at the lender's prime rate. On April 3, 2017, the interest rate for one half ($15.5 million) of the term portion was 2.98%, using a 1 month LIBOR rate and 3.15% on the remaining balance ($15.5 million) of the term loan based on a 3 month LIBOR rate. The interest rate on the first $5 million of the revolving credit portion was 2.98% with the remaining balance of approximately $1.6 million at 4.0%, the bank's prime rate.

The Company's loan covenants under the Loan Agreement require the Company to maintain a consolidated minimum debt service coverage ratio of at least 1.1 to 1 for periods through December 31, 2018 and 1.2 to 1 thereafter to be tested quarterly on a twelve-month trailing basis. In addition, the Company will be required to show a maximum total leverage ratio of 4.0x for periods through December 31, 2018, 3.5x for the period January 1, 2019 through December 31, 2019, 3.25x for the period January 1 2020 through December 31, 2020 and 3.0x thereafter.

On April 4, 2017, the Company entered into an interest rate swap contract with the lender with an original notational amount of $15,500,000, which is equal to 50% of the outstanding balance of the term loan on that date. The notational amount will decrease on a quarterly basis beginning July 3, 2017 following the principal repayment schedule of the term loan. The Company has a fixed interest rate of 1.98% on the swap contract and will pay the difference between the fixed rate and LIBOR when LIBOR is below 1.98% and will receive interest when the LIBOR rate exceeds 1.98%.

The information set forth under Item 2.01 of this Current Report on Form 8-K is hereby incorporated in this Item 2.03 by reference.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Velvac Holdings, Inc. for the year ended December 31, 2016 and the related notes are attached as Exhibit 99.6 to this current report on Form 8-K and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information as the and the year ended December 31, 2016 are attached as Exhibit 99.5 to this current report Form 8-K/A and incorporated herein by reference.

(d) Exhibits

Exhibit Number	Exhibit Title
99.5	Unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2016
99.6	Audited consolidated financial statements of Velvac Holdings, Inc. for the year ended December 31, 2016 and the related notes
99.7	Consent of RSM US LLP

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

The Eastern Company

Date: June 19, 2017

By: /s/John L. Sullivan III
John L. Sullivan III
Vice President and Chief Financial Officer

Exhibit 99.5

Eastern Company
Unaudited Pro Forma Condensed Combined Financial Statements

Overview

On April 3, 2017, The Eastern Company (the "Company") completed an acquisition of Velvac Holdings, Inc. ("Velvac"), a Delaware corporation (including its subsidiaries), for $39.5 million and an earnout consideration contingent upon Velvac achieving minimum earning performance levels and based on sales of Velvac's new proprietary Road-IQ product line, subject to certain customary post-closing adjustments (the "Acquisition"). The Acquisition was consummated pursuant to the terms of a Share Purchase Agreement dated April 3, 2017, by and among Velvac, Jeffery R. Porter, W. Greg Bland, John Backovitch, Dave Otto, Bob Otto, Timothy Rintelman, Robert Brester, Dan Mcgraw, Mark Moeller, Prospect Partners II, L.P. (the "Sellers"), and The Eastern Company (the "Securities Purchase Agreement") pursuant to which the Company acquired 100% of the issued and outstanding sock of Velvac and certain options held by certain of the Sellers to acquire authorized but unissued shares of Velvac's stock were terminated. Beginning with 2017 second quarter reporting, the acquired business is included in the Company's reporting. The Acquisition was financed with a combination of $3.5 million of cash on hand, a $31.0 million term loan from People's United Bank, National Association ("Peoples's") and $5.0 million of borrowings drawn down on the Company's $10 million revolving credit line with People's through an amended and restated loan agreement with People's ("Loan Agreement"). In connection with the Loan Agreement, the Company also used its cash to repay the remaining balance (approximately $1.4 million) of its then outstanding term loan with People's.

Velvac is a premier designer and manufacturer of proprietary mirrors and camera-enabled vision systems that improve safety by providing large, clear views of blind spots and passing lanes around the vehicle. Velvac serves diverse markets within the heavy and medium duty truck, motorhome and specialty vehicle markets.

The unaudited pro forma condensed combined balance sheet ("Pro forma Balance Sheet") as of December 31, 2016 is presented as if the Acquisition had occurred on January 1, 2016 and is based upon the audited consolidated balance sheets of the Company (as filed with the SEC in its Annual Report on Form 10-K for the period ended December 31, 2016) and the audited consolidated balance sheets of Velvac as of December 31, 2016.

The unaudited pro forma condensed combined statements of operations for the 12 months ended December 31, 2016 are presented as if the Acquisition had occurred on January 1, 2016 and are based upon the audited consolidated statements of operations of the Company for the 12 months ended December 31, 2016 (as filed with the SEC in its Annual Report on Form 10-K for the period ended December 31, 2016) and the audited statements of operations of Velvac for the 12 months ended December 31, 2016.

The financial statements of the Company and Velvac have been adjusted in the pro forma condensed combined financial statements to give effect to events that are directly attributable to the Acquisition, are factually supportable and expected to have a continuing impact on the combined company. The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The pro forma condensed combined financial statements are not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the Acquisition been completed as of the dates indicated. In addition, the pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. The actual results reported by the combined company in the periods following the Acquisition may differ significantly from those reflected in these unaudited pro forma combined statements. There were no transactions between Eastern and Velvac as of and for the periods presented in the pro forma condensed combined financial statements that would need to be eliminated.

The pro forma condensed combined financial statements have been prepared using the acquisition method of accounting under general accepted accounting principles in the United States ("GAAP"). Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes and should be read in conjunction with the pro forma condensed combined financial statements.

The determination and preliminary allocation of the purchase consideration used in the unaudited pro forma combined financial statements are based upon preliminary estimates which are subject to change during the measurement period up to one year from the acquisition date.

The pro forma financial statements do not reflect any operating efficiencies or cost savings that the combined company may achieve as a result of the Acquisition.

The Eastern Company
Unaudited Pro Forma Condensed Combined Balance Sheet
For the year ended December 31, 2016

	Eastern Historical	Velvac Historical	Pro Forma Adjustments (Note 4)	Pro Forma Combined
Assets				
Current Assets				
Cash and cash equivalents	$ 22,725,376	$ 252,071	$(6,429,262) h	$ 16,548,185
Accounts receivables	18,135,792	5,203,192		23,338,984
Inventories	34,030,286	12,604,662	1,187,668 a	47,822,616
Prepaid expenses and other assets	1,858,471	226,599		2,085,070
Total current assets	76,749,925	18,286,524	(5,241,594)	89,794,855
Property, Plant and Equipment, net	26,165,514	2,970,911	480,815 g	29,617,240
Goodwill	14,819,835	171,918	18,009,240 c	33,000,993
Trademarks	166,312		3,510,000 b	3,676,312
Other intangible assets, net	1,764,449	877,789	6,438,378 b	9,080,616
Other assets		325,896		325,896
Deferred income taxes	4,532,361	1,925,000	(4,947,000) i	1,510,361
Total Assets	$124,198,396	$24,558,038	$18,249,839	$167,006,273
Liabilities and Stockholders' Equity				
Current Liabilities:				
Accounts payable	$ 7,048,174	$ 6,869,630		$ 13,917,804
Accrued compensation	3,112,404	786,045		3,898,449
Other accrued expenses	1,812,647	588,153	$ (328,000) p	2,072,800
Current portion of long-term debt	892,857	10,561,551	(4,904,408) d	6,550,000
Total current liabilities	12,866,082	18,805,379	(5,232,408)	26,439,053
Other long-term liabilities	288,805			288,805
Long-term debt	892,857		28,557,143 d	29,450,000
Accrued other postretirement benefits	1,051,700			1,051,700
Accrued pension cost	26,631,438			26,631,438
Contingent Consideration			1,020,296e	1,020,296
Stockholders' Equity				
Common Stock	29,146,622	1,253	(1,253)f	29,146,622
Treasury Stock	(19,105,723)			(19,105,723)
Preferred Stock		3,594,609	(3,594,609)f	-
Additional paid-in capital		1,247,469	(1,247,469)f	-
Retained earnings	95,631,216	909,328	(1,251,861)f,j	95,288,683
OCI				
Foreign currency translation	(2,165,081)			(2,165,081)
Unrecognized net pension and other postretirement benefits	(21,039,520)			(21,039,520)
Accumulated other comprehensive loss	(23,204,601)			(23,204,601)
Total Liabilities and Stockholder' Equity	$124,198,396	$24,558,038	$18,249,839	$167,006,273

The Eastern Company
Unaudited Pro Forma Statement of Operations
For the year ended December 31, 2016

	Eastern Historical	Velvac Historical	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Net sales	$ 137,608,258	$ 60,319,107		$ 197,927,365
Cost of products sold	(103,315,387)	(44,601,143)	$ 285,368k	(147,631,162)
Gross margin	34,292,871	15,717,964	285,368	50,296,203
Selling and administrative expenses	(23,156,999)	(15,149,440)	(19,679)l, p	(38,326,118)
Operating profits	11,135,872	568,524	(19,679)	11,970,085
Interest expense	(121,500)	(426,319)	(818,161)m, n	(1,365,980)
Other Income	209,043	-		209,043
Income before income taxes	11,223,415	142,205	(552,472)	10,813,148
Income taxes	3,438,092	80,783	209,939o	3,308,936
Net Income	$ 7,785,323	$ 61,422	$(342,533)	$ 7,504,212
Earnings per share:				
Basic	$1.25	n/a		$1.20
Diluted	$1.25	n/a		$1.20

Note 1 – The Transaction

On April 3, 2017, The Eastern Company (the "Company") completed an acquisition of Velvac Holdings, Inc. ("Velvac"), a Delaware corporation (including its subsidiaries), for $39.5 million and an earnout consideration contingent upon Velvac achieving minimum earning performance levels and based on sales of Velvac's new proprietary Road-IQ product line, subject to certain customary post-closing adjustments (the "Acquisition"). The Acquisition was consummated pursuant to the terms of a Share Purchase Agreement dated April 3, 2017, by and among Velvac, Jeffery R. Porter, W. Greg Bland, John Backovitch, Dave Otto, Bob Otto, Timothy Rintelman, Robert Brester, Dan Mcgraw, Mark Moeller, Prospect Partners II, L.P. (the "Sellers"), and The Eastern Company (the "Securities Purchase Agreement") pursuant to which the Company acquired 100% of the issued and outstanding stock of Velvac and certain options held by certain of the Sellers to acquire authorized but unissued shares of Velvac's stock were terminated. Beginning with 2017 second quarter reporting, the acquired business is included in the Company's reporting. The Acquisition was financed with a combination of $3.5 million of cash on hand, a $31.0 million term loan from People's United Bank, National Association ("Peoples's") and $5.0 million of borrowings drawn down on the Company's $10 million revolving credit line with People's through an amended and restated loan agreement with People's ("Loan Agreement"). In connection with the Loan Agreement, the Company also used its cash to repay the remaining balance (approximately $1.4 million) of its then outstanding term loan with People's.

Velvac is a premier designer and manufacturer of proprietary vision technology for original equipment manufacturers serving the heavy-duty and medium-duty truck, motorhome, and bus markets. Beginning with 2017 second quarter reporting, the acquired business is included in the Company's reporting.

Note 2 – Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting in accordance with generally accepted accounting principles in the United States (GAAP) and were derived based on the financial statements of the Company and Velvac and adjusted to give effect to pro forma events that are (i) directly attributable to the Acquisition; (ii) factually supportable; and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined company's results. Adjustments are described in the accompanying notes to the unaudited pro forma condensed combined financial statements which include assumptions utilized, reclassification adjustments to conform to GAAP and changes in Velvac accounting policy to conform to that of the Company. There were no transactions between Eastern and Velvac as of and for the periods presented in the pro forma condensed combined financial statements that would need to be eliminated.

The unaudited pro forma condensed combined balance sheet (“Pro forma Balance Sheet”) as of December 31, 2016 is presented as if the Acquisition had occurred on January 1, 2016 and is based upon the audited consolidated balance sheets of the Company (as filed with the SEC in its Annual Report on Form 10-K for the period ended December 31, 2016) and the audited consolidated balance sheets of Velvac as of December 31, 2016.

The unaudited pro forma condensed combined statements of operations for the 12 months ended December 31, 2016 are presented as if the Acquisition had occurred on January 1, 2016 and are based upon the audited consolidated statements of operations of the Company for the 12 months ended December 31, 2016 (as filed with the SEC in its Annual Report on Form 10-K for the period ended December 31, 2016) and the audited consolidated statements of operations of Velvac for the 12 months ended December 31, 2016.

Under the acquisition method of accounting, the Company measures and recognizes separately from goodwill the fair value as of April 3, 2017 of all identifiable assets acquired and liabilities assumed as part of the Acquisition. For purposes of measuring the fair value of the assets acquired and liabilities assumed, the Company has applied the accounting guidance for fair value measurements in accordance with GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions, including historical and current market data. The preliminary allocation of the purchase price as detailed in Note 3, ("Purchase Price Allocation") in these unaudited pro forma condensed combined financial statements is based upon the fair values of the assets acquired and liabilities assumed. The purchase price allocation as of the April 3, 2017 acquisition date and the resulting effect on income from operations and the Company’s balance sheet will be included in the Company’s Quarterly Report on Form 10-Q for the second quarter ended July 1, 2017. Management believes that the assumptions provide a reasonable basis for presenting all of the significant effects of the Acquisition and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial statements.

Estimated transaction costs have been excluded from the unaudited pro forma condensed combined statement of operations as they reflect non-recurring charges directly related to the Acquisition. However, the transaction costs are reflected in the Pro Forma Balance Sheet as an increase to other current liabilities and a decrease to retained earnings.

The unaudited pro forma condensed combined financial statements do not reflect any revenue enhancements or cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies or other restructuring that could result from the Acquisition.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only and are not intended to reflect the results of operations or the financial position of the combined company that would have resulted had the Acquisition been effective as of and for the periods presented or the results that may be obtained by the combined company in the future.

Note 3 – Purchase Price Allocation

The total purchase price for Velvac was allocated to the net tangible and intangible assets based upon their fair values as set forth below. The excess of the purchase price over the net tangible and intangible assets was recorded as goodwill. The purchase price was allocated based upon estimates and assumptions of the fair values of assets acquired and liabilities assumed.

The following is the fair value estimate of the assets acquired and the liabilities assumed by the Company in the completed acquisition of Velvac as if the acquisition had occurred on January 1, 2016:

Cash and cash equivalents	$ 412,974
Accounts receivable (net)	$ 6,063,429
Inventory	$12,992,377
Prepaid and other assets	$ 494,617
Property, plant and equipment	$ 3,235,878
Other noncurrent assets	$ 366,401
Goodwill	$18,181,158
Other intangible assets	$11,560,000
Current liabilities	$(7,723,834)
Deferred tax liabilities	$(3,022,000)
Total purchase price allocation	$42,561,000

Identifiable intangible assets: The estimated fair value of the identifiable intangible assets and the average estimated useful lives (in years) are as follows:

	Estimated Fair Value	Estimated Useful Life
Patents	$ 4,400,000	5-12
Customer relationships	$ 3,650,000	9-10
Trade names	$ 3,510,000	
Total	$11,560,000	

Goodwill: Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the fair values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized and is not tax deductible.

Note 4 – Pro forma adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

The following pro forma adjustments were applied to the unaudited balance sheets of the Company and Velvac at December 31, 2016 to arrive at the unaudited pro forma condensed combined balance sheet:

(a)	To record the step-up in fair value of the inventory acquired in the Acquisition as disclosed in Note 3.	$ 1,187,668
(b)	To eliminate Velvac identifiable intangible assets of $877,789 and to record the fair value of identifiable intangible assets for the Acquisition as disclosed in Note 3 of $11,560,000. Fair value identifiable intangible assets are based on estimates as discussed in Note 3. To record the effect of the new amortization method calculated on intangible assets of $733,833.	$ 9,948,378
(c)	To eliminate Velvac goodwill balance of $171,918 and to record goodwill for the Acquisition as disclosed in Note 3 of $18,181,158.	$18,009,240
(d)	To record borrowings from the amended and restated credit facilities to complete the Acquisition for short term debt of $6,550,000 and long term debt of $29,450,000 and to eliminate short debt of the Company and Velvac debt settled prior to the Acquisition of $11,454,408 and long term debt of the Company of $892,857.	$23,652,735
(e)	Contingent consideration included in the purchase price.	$ 1,020,296
(f)	To eliminate equity accounts of Velvac.	$ (5,752,659)
(g)	To record an adjustment to property, plant and equipment acquired in the Acquisition to report at fair value as disclosed in Note 3 of $264,967. To record the net effect of the depreciation calculated on the tangible assets of $215,848.	$ 480,815
(h)	To reflect the Company's cash payment as part of the Acquisition of $3,500,000, payment of prior debt of $1,785,714, change in interest payment of $818,161, working capital reimbursement of $991,000, elimination of Velvac transaction expenses net of tax of $282,518 and tax benefit of certain transactions of $383,095	$ (6,429,262)
(i)	To record the deferred tax liabilities of $3,022,000 related to the fair value adjustments recorded for the assets acquired and liabilities assumed, excluding goodwill, as disclosed in Note 3 and eliminate Velvac's deferred tax liability of $1,925,000.	$ (4,947,000)
(j)	To eliminate Velvac's retained earnings and to record current year adjustments for acquisition related expenses and depreciation and amortization to retained earnings.	$ 342,533

Note 5 – Pro Forma Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations for the 12 Months ended December 31, 2016

The following pro forma adjustments, which exclude the step-up in fair value of the inventory, were applied to the statements of operations for the Company and Velvac for the 12 months ended December 31, 2016:

(k)	To record depreciation expense resulting from increased basis of property, plant and equipment acquired and depreciated using straight line basis over the estimated remaining useful life of $613,152 as discussed in Note 3. Reverse prior depreciation calculated of $829,000. Reclass depreciation of office equipment from costs of products sold to selling and administrative expenses of $69,520.	$ 285,368
(l)	To record additional amortization of intangible assets of $802,833. The amortization of trade names, customer relationships and patents has been calculated based on their respective fair values and amortized over the estimated life as discussed in Note 3. Reverse prior depreciation calculated of $69,000.	$ (733,833)
(m)	To eliminate Velvac interest expense on debt settled prior to Acquisition.	$ (426,319)
(n)	To record interest expense on $36,000,000 in borrowings to complete the Acquisition, which bear interest at the current LIBOR rate plus a spread of 1.7% to 2.5%.	$ 1,244,480
(o)	To record tax benefit. Provision for income taxes associated with pro forma entries is based on the Company's estimated statutory tax rates.	$ 209,939
(p)	To eliminate the Company's transaction expenses associated with the Acquisition of $328,000, Velvac's transaction expenses associated with the Acquisition and management fees of $455,674 and reclassify depreciation of office equipment from costs of products sold to selling and administrative expenses of $69,520.	$ 714,154

Exhibit 99.6

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Financial Report
December 31, 2016

Contents

Independent Auditor's Report

Board of Directors
Velvac Holdings, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Velvac Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2016, the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Velvac Holdings, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Subsequent Event
As discussed in Note 1 to the consolidated financial statements, subsequent to year-end on April 3, 2017 the Eastern Company purchased the stock of Velvac Holdings, Inc. Our opinion is not modified with respect to this matter.

/s/RSM US LLP
RSM US LLP

Milwaukee, Wisconsin
June 19, 2017

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Balance Sheets
December 31, 2016

	2016
Assets	
Current Assets	
Cash	$ 252,071
Accounts receivable, less allowance for doubtful accounts of $69,000 in 2016	4,998,796
Other receivables	204,396
Inventories	12,604,662
Prepaid expenses and other assets	226,599
Total current assets	18,286,524
Leasehold Improvements and Equipment	
Leasehold improvements	524,457
Machinery and equipment	3,789,754
Tools, dies and patterns	6,126,470
Furniture and office equipment	1,578,476
Company vehicles	64,516
Construction-in-progress	552,674
Total Leasehold Improvements and Equipment	12,636,347
Less accumulated depreciation	9,665,436
Net Leasehold Improvements and Equipment	2,970,911
Other Assets	
Intangible assets, less accumulated amortization of $895,577 in 2016	877,789
Deferred income taxes	1,925,000
Goodwill	171,918
Other	325,896
Total Other Assets	3,300,603
Total Assets	$ 24,558,038

See Notes to Consolidated Financial Statements.

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Balance Sheets (Continued)
December 31, 2016

	2016
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts payable	$ 6,869,630
Revolving line of credit	6,109,309
Current maturities of long-term debt	4,452,242
Income taxes payable	38,911
Accrued compensation	786,045
Accrued expenses	549,242
Total current liabilities	18,805,379
Long-Term Liabilities	
Long-term debt, less current maturities	-
Total liabilities	18,805,379
Stockholders' Equity	
Preferred stock, 13% cumulative, non-voting, $0.001 par value, liquidating value 2016 $8,136,738 in the aggregate, 5,000 shares authorized, issued and outstanding in 2016	4
Additional paid-in capital - preferred stock	3,594,605
Common stock, $0.001 par value, 2,000,000 shares authorized, 1,253,273 issued and outstanding in 2016	1,253
Additional paid-in capital - common stock	1,247,469
Retained earnings	909,328
Total stockholders' equity	5,752,659
Total liabilities and stockholders' equity	$ 24,558,038

See Notes to Consolidated Financial Statements.

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Statements of Operations
December 31, 2016

	2016
Net sales	$ 60,319,107
Cost of sales	44,601,143
Gross profit	15,717,964
Operating expenses:	
Engineering	3,894,002
Selling	7,401,352
General and administrative	3,854,086
	15,149,440
Income from operations	568,524
Interest expense	426,319
Income before provision for income taxes	142,205
Provision for Income taxes	80,783
Net income	$ 61,422

See Notes to Consolidated Financial Statements.

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Statements of Stockholders' Equity
December 31, 2016

	Preferred Stock		Additional Paid In Capital - Preferred	Common Stock		Additional Paid In Capital - Common	Retained Earnings (Accum	
	Shares	Amount	Stock	Shares	Amount	Stock	Deficit)	Total
Balance December 31, 2015	3,595	$4	$3,594,605	1,253,273	$1,253	$1,247,469	$847,906	$5,691,237
Net income	-	-	-	-	-	-	61,422	61,422
Balance December 31, 2016	**3,595**	**$4**	**$3,594,605**	**1,253,273**	**$1,253**	**$1,247,469**	**$909,328**	**$5,752,659**

See Notes to Consolidated Financial Statements.

Velvac Holdings, Inc. and its Subsidiaries

Notes to Consolidated Financial Statements

Velvac Holdings, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2016

	2016
Cash Flows from Operating Activities	
Net income	$ 61,422
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	752,263
Deferred income taxes	(315,000)
Changes in:	
Accounts receivable	(770,566)
Other receivables	534,373
Inventories	724,969
Prepaid expenses and other assets	387,316
Income tax payable / receivable	(952,168)
Accounts payable	1,314,887
Accrued expenses	(309,548)
Net cash provided by operating activities	1,427,948
Cash Flows from Investing Activities	
Purchases of Intangible assets	(134,847)
Purchases of leasehold improvements and equipment	(1,222,147)
Net cash used in investing activities	(1,356,994)
Cash Flows from Financing Activities	
Net borrowings on revolving line of credit	445,267
Proceeds from issuance of long-term debt	750,000
Principal payments on long-term debt	(1,297,678)
Net cash used in financing activities	(102,411)
Decrease in cash	(31,457)
Cash:	
Beginning of year	283,528
End of year	$ 252,071
Supplemental Disclosures of Cash Flow Information	
Cash payments for interest	$ 424,132
Cash payments for income taxes	609,798

See Notes to Consolidated Financial Statements.

Note 1 Nature of Business and Significant Accounting Policies

Nature of business: Velvac Holdings, Inc. (the Company) was incorporated on August 22, 2005 in the State of Delaware pursuant to a stock purchase agreement to purchase the outstanding stock of Velvac, Incorporated (Velvac, Inc). The Company's principal business activity is the design, manufacture and sale of truck and recreational vehicle mirrors and vision systems as well as the distribution of aftermarket HD parts. The Company's wholly-owned subsidiaries in Mexico consist of Velvac International, Inc. (Velvac International), and Velvac de Reynosa, S. de R.L. de C.V. (Velvac de Reynosa) which were incorporated in 2000 in relation to the manufacture of truck and recreational vehicle parts in Mexico. The Company's wholly-owned subsidiaries in the United States of America consist of Velvac, Incorporated and Road-iQ, LLC, which was established in 2014 to hold and continue to develop intangible assets purchased from Qualnetics Corporation.

The Company grants credit on sales of its products, which are sold primarily to truck and recreational vehicle manufacturers and aftermarket customers located primarily in the United States and Canada. The fiscal year end for all companies is December 31. Significant accounting policies followed by the Company are presented below.

Principles of consolidation**:** The accompanying consolidated financial statements include the accounts of Velvac Holdings, Inc. and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign operations: The financial statements of the foreign subsidiaries are prepared using the U.S. dollar as the functional currency. In accordance with remeasurement guidance, certain assets and liabilities are measured at historical rates while other are measured at current rates. Gains and losses from remeasurement are recognized in the consolidated statements of operations.

Included in the Company's consolidated balance sheets are the net assets of the subsidiaries' manufacturing operations, all of which are located in a single facility in Mexico. Net assets located in Mexico as of December 31, 2016 are approximately $409,000. Net transaction losses of approximately $66,000 are included in the general and administrative expense on the consolidated statements of operations for the year ended December 31, 2016.

Cash: The Company considers all petty cash, checking and savings accounts to be cash.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date. The Company mitigates the associated credit risk by performing credit checks, establishing credit limits and actively pursuing past due accounts. Trade credit is generally extended on a short-term basis and thus trade accounts receivable do not bear interest or a finance charge. Accounts receivable are stated at the invoice amount. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual accounts receivable balances that exceed 90 days from the invoice date and based on assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. In addition, a general valuation allowance is established based principally on historical experience. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Inventories: Inventories are stated at lower of cost or market with cost determined on a first-in, first-out (FIFO) basis. Work-in-process and finished goods inventories include materials, labor and an allocation of indirect manufacturing costs.

Property and equipment: Property and equipment are carried at cost less accumulated depreciation. Depreciation is determined on the straight-line or accelerated methods based on their estimated useful lives, which range from three to twenty years. Equipment consists of various manufacturing equipment, vehicles, computer equipment, and office furniture and equipment. During the year ended December 31, 2016, the Company recorded depreciation expense of approximately $829,000, which is included in consolidated statements of operations.

Intangible Assets: Intangible assets include software code, customer relationships, patents and trademarks. The intangibles are being amortized on the straight-line method over their estimated useful lives ranging from 4 - 19 years. During the year ended December 31, 2016, the Company recorded amortization expense of approximately $69,000, which is included in the general and administrative expense on the consolidated statements of operations.

Goodwill: Intangible assets with finite useful lives are amortized generally on a straight-line basis over the periods benefited. Goodwill and other intangible assets with indefinite useful lives are not amortized. The Company performed its most recent qualitative assessment as of December 31, 2016 and determined it is more likely than not that no impairment of goodwill existed at the end of 2016. The Company will perform annual qualitative assessments in subsequent years as of the end of each fiscal year. Additionally, the Company will perform interim analysis whenever conditions warrant. Goodwill of $171,918 is carried by the company at December 31, 2016.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Impairment of long-lived assets: The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Revenue recognition: The Company recognizes revenues from product sales when the products are shipped or delivered and the title and risk of loss pass to the customer. Provisions for any rebates, sales incentives, promotions and product returns and discounts to customers are accounted for as reductions in revenues in the same period revenues are recorded.

Shipping and handling charges: The Company classifies all amounts invoiced to customers related to shipping and handling as net sales. Costs incurred by the Company for shipping and handling are classified as selling expenses. Shipping costs of approximately $3,009,000 are included in selling expenses for the year ended December 31, 2016.

Advertising: The Company expenses advertising costs as incurred. Advertising expense totaled approximately $185,000 for the year ended December 31, 2016.

Income taxes: Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-Iikely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

Velvac de Reynosa is incorporated in Mexico and subject to Mexican income taxes. Accordingly, any such taxes related to the income of these subsidiaries are reflected in these consolidated financial statements.

The Company has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company files tax returns in all appropriate jurisdictions, which include federal tax returns, various state tax returns, and in Mexico. Open tax years for the federal and state returns are 2013 to 2015, which statutes expire in 2016 through 2018, respectively. When and if applicable, potential interest and penalty costs are accrued as incurred, with expenses recognized in income taxes in the consolidated statements of income. As of December 31, 2016, the Company has no liability for unrecognized tax benefits.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Stock-based compensation: The Company recognizes compensation expense under the *Compensation – Stock Compensation* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), in which compensation expense is recognized only for share-based payments expected to vest. The Company recognizes compensation expense over the requisite service period using the straight-line method. The Company has determined that the calculated value method should be used in determining the value of its stock options.

Research and Development: The Company recorded research and development costs related to the development of its Road-iQ system. Research and development expense totaled approximately $1,533,000 for the year ended December 31, 2016, which are recorded in engineering expenses in the consolidated statement of operations.

Warranty: The Company warrants its product for 1-2 years based on industry into which the product is sold. Warranty expense totaled approximately $590,000 for the year ended December 31, 2016.

Pending accounting pronouncements: In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant and Equipment. ASU No. 2014-08 provides authoritative guidance which changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. To qualify as a discontinued operation the standard requires a disposal to represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The standard also expands the disclosures for discontinued operations and requires new disclosures related to individually material dispositions that do not qualify as discontinued operations. The guidance is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. The Company adopted this guidance with its fiscal year effective January 4, 2015 and did not impact the consolidated financial statements of the Company.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 provides authoritative guidance which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual reporting periods beginning after December 15, 2016. The adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Company.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date. ASU No. 2015-14 defers the adoption date of ASU 2014-09, Revenue from Contracts with Customers in which both the FASB and IASB in a joint project will clarify the principles for recognizing revenue and to develop a common revenue standard. The guidance is to be applied using a retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for years beginning after December 15, 2017. Early adoption is permitted. The Company is still in the process of determining the effect that the adoption of ASU 2015-14 will have on the accompanying financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory: Simplifying the Measurement of Inventory. ASU No. 2015-11 provides authoritative guidance which requires a company to change its valuation method of inventory from the lower of cost or market (market being replacement cost, net realizable value or net realizable value less an approximate profit margin) to the lower of cost or net realizable value. The amendment is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendment should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Company.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations. ASU 2015-16 provides authoritative guidance which will simplify the accounting for adjustments made to provisional amounts recognized in a business combination. U.S. GAAP currently requires that during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. The amendments require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments were effective for Fiscal 2017, including interim periods. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not yet been issued. The adoption of this amendment did not have a material impact on the consolidated financial statements of the Company.

In November 2015, the FASB issued accounting standards update 2015-07 which simplifies the balance sheet classification of deferred taxes. This standard requires that all deferred tax assets and liabilities be classified as non-current in the classified balance sheet, rather than separating such deferred taxes into current and non-current amounts, as is required under current guidance. The standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period with early application permitted. The Company has early adopted ASU 2015-17 effective for the year ended December 31, 2016 and it had no impact to the consolidated financial statements of the Company.

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 requires lessees to present right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for years beginning after December 15, 2019. Early adoption is permitted. The Company is still in the process of determining the effect that the adoption of ASU 2016-02 will have on the accompanying financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows - Classification of certain types of cash receipts and cash payments. ASU 2016-15 provides guidance regarding eight specific cash flow issues. The guidance is to be applied using a retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for years beginning after December 15, 2017. Early adoption is permitted. The Company is still in the process of determining the effect that the adoption of ASU 2016-15 will have on the accompanying financial statements.

In March 2016, the Financial Accounting Standards Board ("FASB") issued accounting standards update 2016-09 which simplifies employee share-based payment accounting. This standard will simplify the income tax consequences, accounting for forfeitures and classification on the statement of cash flows. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company did not early adopt ASU 2016-09. This guidance will be effective for the Company in the first quarter of 2017.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations – Clarifying the Definition of a business. ASU 201-01 provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or dispositions of assets or businesses. The amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendment should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is still in the process of determining the effect that the adoption of ASU 2017-01 will have on the accompanying financial statements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and Other: Simplifying the test for Goodwill Impairment. ASU 201-04 provides guidance to simplify the subsequent measure of goodwill by eliminating Step 2 from the goodwill impairment test. The amendment is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period after January 1, 2017. The Company is still in the process of determining the effect that the adoption of ASU 2017-04 will have on the accompanying financial statements.

Concentrations: The Company maintains account balances which at times may exceed federally insured limits. The Company has not experienced any losses with these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

Collective Bargaining: All of the Company's employees in Mexico and 25% of the Company's employees in the United States of America are covered under collective bargaining agreements. The agreements expire at varying dates through October 31, 2019.

Presentation of sales taxes: The Company collects sales and other taxes from certain customers and remits the entire amount to the appropriate governmental entities. The Company's accounting policy is to exclude the tax collected and remitted from net sales and cost of sales.

Subsequent events: Management evaluated subsequent events through May 8, 2017, the date the consolidated financial statements were available to be issued.

On April 3, 2017, the Eastern Company purchased the stock of Velvac, Holdings and subsidiaries from Prospect Partners II and two minority owners. As a result of the purchase, all long-term debt was paid off and therefore the long-term portion of the term debt on the balance sheet was reclassified as current. There were no other changes made to the financial statements due to the subsequent purchase event.

Note 2. Intangible Assets

Intangible assets subject to amortization consist of the following:

December 31, 2016	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	7-8 years	$805,023	$(788,238)	$16,785
Software License	10-15 years	$200,000	$(35,334)	$164,666
Trademarks and Patents	4-19 years	$69,534	$117,180)	$552,354
Other	8 years	$50,000	$ (96,351)	$153,649
		$1,924,557	$(1,037,103)	$887,454

The estimated amortization expense for intangible assets over the next five years is approximately as follows: 2017 - $78,000; 2018 - $77,000; 2019 $74,000; 2020 - $74,000 and 2021 - $67,000.

Note 3. Inventories

Inventories consist of the following at December 31:

	2016
Raw materials and supplies	$ 3,819,109
Work-in-process	911,328
Finished goods and component parts	7,874,224
Total Inventory	$ 12,604,662

Note 4. Debt

The Company has a credit agreement with a financial institution that includes both a term loan and a revolving credit agreement. On October 31, 2016 the Company amended the agreement, which increased its maximum borrowings from $6,000,000 to $6,500,000 on the line of credit agreement. Amounts outstanding on the line of credit agreement as of December 31, 2016 was approximately $6,109,000. The line of credit bears interest at LIBOR (0.77 percent at December 31, 2016) plus an applicable margin (3.00 percent at December 31, 2016) which is payable monthly. Borrowings under the line of credit agreement are subject to certain borrowing base limitations.

The term loan bears interest at LIBOR plus an applicable margin (3.50 percent at December 31, 2016) and requires monthly payments of $104,170 plus interest. The Company also has outstanding letters of credit amounting to $107,110 as of December 31, 2016, which reduce the available borrowings on the line of credit. Both the line of credit agreement and the term loan are secured by substantially all assets of the Company. The Company is subject to a fee based on the unused portion of available funds. The loan is subject to certain covenants related to leverage and capital expenditure. The covenants were not met for quarter ended December 31, 2016.

The debt has been reclassified as current for 2016 due to the subsequent purchase of Velvac Holdings, Inc. by the Eastern Company, on April 3, 2017 in which all existing long term debt was paid in full.

Long-term debt consists of the following at December 31:

	2016
Term Loan	$ 4,452,242
Less: current maturities of term loan	(4,452,242)
	$ -

Note 5. Retirement Plans

The Company sponsors two supplemental savings and retirement plans qualified under Section 401(k) of the Internal Revenue Code available to substantially all full-time US based employees. One plan covers bargaining unit employees and the other plan covers non-bargaining unit employees. Eligible bargaining unit employees may contribute up to 15 percent of their eligible compensation and eligible non-bargaining unit employees may contribute amounts of their eligible compensation not to exceed Internal Revenue Service limits.

The Company allows for a matching contribution to the non-bargaining unit plan of 50 percent of employee contributions up to a maximum of 2 percent of annual eligible compensation and an additional 1 percent contribution of annual eligible employee compensation. In 2016, the Company made a matching contribution to the bargaining unit plan of 50 percent of employee contributions up to a maximum of 3 percent of annual eligible employee compensation. The Company's expense for both plans amounted to $ 119,000 for the year ended December 31, 2016.

Note 6. Stockholders' Equity

The preferred stockholders are entitled to a dividend of 13 percent per year (compounded quarterly) on the sum of $1,000 per share plus accumulated and unpaid dividends. Such dividends accrue at the end of each calendar quarter whether or not they have been declared or there are adequate funds available to make such distribution. Accumulated rights of $4,542,000 have accrued to the preferred stockholders as of December 31, 2016. These amounts are not recorded into the financial statements until declared.

The preferred stock and all accumulated and unpaid dividends have preference over the common shares in the event of a liquidation of the Company and have priority on all equity distributions. All accumulated preferred stock dividends were paid out on April 3, 2017 with the sale transaction with the Eastern Company.

There are no voting rights associated with the preferred stock. The common stock has voting rights on a one vote per share basis.

Note 7. Commitments

On August 1, 2014 the Company executed a 48-month extension of its lease for its plant and operating facilities in New Berlin, Wisconsin. The extension moves the termination of the lease to May 2020. The lease requires monthly payments of $35,903 through February 2015 then monthly payments of $36,980 through May 2016, increasing 2.0 percent annually thereafter to May 2020.

On May 1, 2007, Velvac de Reynosa entered into an amended lease for its plant and operating facilities in Mexico having a term of 87 months. The lease agreement required monthly payments of $44,100, with increases of 2.5 percent annually. In October 2013, the lease was amended and requires monthly payments of $33,127 increasing 2.5 percent thereafter to September 2018.

The Velvac de Reynosa leases are guaranteed by Velvac Holdings, Inc. Also, for both plant and operating facilities' leases describe above, the Company is responsible for repairs and maintenance, utilities, insurance and real estate taxes.

Future minimum lease payments under these operating leases are as follows for the years ended December 31:

2017	$ 983,776
2018	888,919
2019	559,686
2020	247,925
	$ 2,680,306

Minimum lease payments exclude rentals under renewal options which, as of December 31, 2016, are not reasonably assured of being exercised.

Total rental expense for building and other equipment charged to operations was approximately $915,000 for the year ended December 31, 2016.

Note 8. Income Taxes

The deferred tax assets and liabilities consist of the following components at December 31:

	2016
Deferred tax assets:	
Reserves	$ 271,200
Tax credit carryforwards	374,400
Software costs	1,632,000
Other	47,000
	$ 2,324,600
Deferred tax liabilities:	
Property and equipment basis and depreciation differences	$ (399,700)
Noncurrent deferred tax assets	$ 1,924,900

A reconciliation of the provision for income taxes at the statutory federal tax rates to the Company's actual provision for income taxes is as follows for the years ended December 31:

	2016
Computed at statutory rates	$ 42,504
State income taxes, net of federal tax benefit	4,950
Nondeductible expenses	15,956
Tax credits and foreign taxes	(11,363)
Other	28,736
	$ 80,783

Note 8. Income Taxes (Continued)

The provision for income taxes consists of the following components for the years ended December 31:

	2016
Current:	
Foreign	$ (11,363)
Domestic	407,146
Deferred:	
Domestic	(315,000)
	$ 80,783

The Company has unused foreign tax credit carryovers available to offset future taxable income. The amounts and years of expiration are as follows:

Foreign Tax Credit	
2018	$ 276
2019	57,996
2020	0
2021	3,911
2022	0
2023	25,833
2024	69,974
2025	123,804
2026	92,637
	$ 374,431

Note 9. Related-Party Transactions

The Company has a management services agreement with its majority stockholder. Under the terms of the agreement, the majority stockholder provides management advisory services to the Company for a monthly management fee plus reimbursement of out-of-pocket expenses incurred. Fees charged under the agreement were approximately $249,000 for the year ended December 31, 2016.

Note 10. Captive Insurance Plan

Under this type of self-insurance plan, the Company pays annual umbrella, workers' compensation, general liability and property and casualty insurance premiums to the captive insurance plan based on prior experience. Claims incurred are paid from the premiums and cash reserves held by the captive. If claims incurred by the Company exceed cash reserves held by the captive, the Company will be required to make additional payments to the captive for which the Company has a letter of credit for $107,110 available at December 31, 2016.

Note 10. Captive Insurance Plan (Continued)

Effective October 1, 2014 the company moved its General Liability and property and casualty insurance out of the Captive to a traditional policy. Effective March 1, 2015, the Company moved its workers' compensation insurance out of the captive program to a traditional workers' compensation insurance provider. Claim years remain open for 7 years at which time the captive settles the remaining liability and closes out the exposure to the company. The Company will continue to participate in the captive insurance program for the run-out of claims for covered years that remain open (2008 – 2015), until 2022. During this time, the company may be required to fund excess claims above the reserves remaining in the captive for those open claim years. The Company has not accrued for additional costs in the accompanying consolidated balance sheets as they are not considered probable.

Note 11. Contingencies

From time to time, the Company is involved in various claims and lawsuits occurring in the normal course of business. Management believes that any financial responsibility that may be incurred in the settlement of such existing claims and lawsuits would not be material to the Company's financial position, results of operations or cash flows.

Management's estimate of the accrual for product warranty claims is based upon a review of the Company's actual labor and material costs incurred to service warranty claims. In addition, Company management reviews warranty claim trends to predict future warranty claims. The accrual is recorded to match management's expected warranty exposure and is included with accrued expenses in the accompanying consolidated balance sheets. Changes in the Company's accrual for product warranty claims were as follows:

	2016
Balance, beginning of year	$ 284,000
Warranty payments made in cash or in kind	(589,949)
Warranty expense	589,949
Balance, end of year	$ 284,000

Exhibit 99.7

Consent of Independent Auditor

We consent to the incorporation by reference included in the Registration Statements (Nos. 333-21349, 333-21351, 333-45315, 333-62196, 333-115109 and 333-169169) on Form S-8 of The Eastern Company of our report dated May 8, 2017, relating to the consolidated financial statements of Velvac Holdings, Inc, appearing in this Current Report on Form 8-K/A.

/s/RSM US LLP
RSM US LLP

Milwaukee, Wisconsin
June 19, 2017