

Edgar Filing: ACME UNITED CORP - Form 10-Q

ACME UNITED CORP  
Form 10-Q  
May 15, 2007

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

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FORM 10-Q

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission file number 001-07698

ACME UNITED CORPORATION  
(Exact name of registrant as specified in its charter)

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|  |   |
|--|---|
| CONNECTICUT<br>(State or other jurisdiction<br>of incorporation or organization)       | 06-0236700<br>(I.R.S. Employer<br>Identification No.) |
| 60 ROUND HILL ROAD, FAIRFIELD, CONNECTICUT<br>(Address of principal executive offices) | 06824<br>(Zip Code)                                   |

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of May 1, 2007 the registrant had issued and outstanding 3,517,283 shares of its \$2.50 par value Common Stock.

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ACME UNITED CORPORATION

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ACME UNITED CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(all amounts in thousands, except share data)

|   | March 31<br>2007<br>(unaudited)<br>----- | December 31<br>2006<br>(Note 1)<br>----- |
|---|--|--|
| ASSETS                                    |  |  |
| Current assets:                           |  |  |
| Cash and cash equivalents                 | \$ 3,386                                 | \$ 3,838                                 |
| Accounts receivable, less allowance       | 9,656                                    | 10,852                                   |
| Inventories:                              |  |  |
| Finished goods                            | 15,375                                   | 14,709                                   |
| Work in process                           | 41                                       | 63                                       |
| Raw materials and supplies                | 807                                      | 905                                      |
|   | 16,223                                   | 15,677                                   |
| Prepaid expenses and other current assets | 1,481                                    | 846                                      |
| Deferred income taxes                     | 274                                      | 274                                      |
|   | 31,020                                   | 31,487                                   |
| Property, plant and equipment:            |  |  |
| Land                                      | 161                                      | 159                                      |
| Buildings                                 | 2,744                                    | 2,778                                    |
| Machinery and equipment                   | 7,119                                    | 7,006                                    |
|   | 10,024                                   | 9,943                                    |
| Less accumulated depreciation             | 7,587                                    | 7,403                                    |
|   | 2,437                                    | 2,536                                    |

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|              |           |           |
|--------------|-----------|-----------|
| Other assets | 2,437     | 2,540     |
| Goodwill     | 895       | 905       |
|              | 89        | 89        |
|              | -----     | -----     |
| Total assets | \$ 34,440 | \$ 35,021 |
|              | =====     | =====     |

See notes to condensed consolidated financial statements.

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ACME UNITED CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)  
(all amounts in thousands, except share data)

|   | March 31<br>2007<br>(unaudited) | December 31<br>2006<br>(Note 1) |
|---|---------------------------------|---------------------------------|
|   | -----                           | -----                           |
| <b>LIABILITIES</b>  |                                 |                                 |
| Current liabilities:  |                                 |                                 |
| Accounts payable  | \$ 2,589                        | \$ 2,358                        |
| Other accrued liabilities   | 2,164                           | 3,660                           |
| Current portion of long-term debt   | 10                              | 9                               |
|   | -----                           | -----                           |
| Total current liabilities   | 4,763                           | 6,026                           |
| Long-term debt, less current portion  | 10,453                          | 10,218                          |
| Other   | 663                             | 645                             |
|   | -----                           | -----                           |
| Total liabilities   | 15,879                          | 16,890                          |
| <b>STOCKHOLDERS' EQUITY</b>   |                                 |                                 |
| Common stock, par value \$2.50:<br>authorized 8,000,000 shares;<br>issued - 4,221,274 shares in 2007<br>and 4,192,824 shares in 2006,<br>including treasury stock | 10,552                          | 10,482                          |
| Treasury stock, at cost - 703,991 shares<br>in 2007 and 678,991 shares in 2006  | (5,786)                         | (5,439)                         |
| Additional paid-in capital  | 3,148                           | 3,014                           |
| Retained earnings   | 11,524                          | 11,015                          |
| Accumulated other comprehensive loss:   |                                 |                                 |
| Translation adjustment  | (65)                            | (129)                           |
| Minimum pension liability   | (812)                           | (812)                           |
|   | -----                           | -----                           |
|   | (877)                           | (941)                           |
|   | -----                           | -----                           |
| Total stockholders' equity  | 18,561                          | 18,131                          |
|   | -----                           | -----                           |
| Total liabilities and stockholders' equity  | \$ 34,440                       | \$ 35,021                       |
|   | =====                           | =====                           |

See notes to condensed consolidated financial statements

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ACME UNITED CORPORATION

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)  
(all amounts in thousands, except per share amounts)

|  | Three Months Ended<br>March 31 |           |
|--|--------------------------------|-----------|
|  | 2007                           | 2006      |
| Net sales  | \$ 12,241                      | \$ 12,257 |
| Costs and expenses:  |                                |           |
| Cost of goods sold   | 6,907                          | 6,705     |
| Selling, general and administrative expenses   | 4,158                          | 4,259     |
|  | 11,065                         | 10,964    |
| Income before non-operating items  | 1,176                          | 1,293     |
| Non-operating items:   |                                |           |
| Interest expense   | 154                            | 125       |
| Other (income) expense, net  | (27)                           | (76)      |
|  | 127                            | 49        |
| Income before income taxes   | 1,049                          | 1,244     |
| Income tax expense   | 399                            | 485       |
| Net income   | 650                            | 759       |
| Basic earnings per share   | \$ 0.18                        | \$ 0.22   |
| Diluted earnings per share   | \$ 0.17                        | \$ 0.20   |
| Weighted average number of common shares outstanding-<br>denominator used for basic per share computations | 3,525                          | 3,484     |
| Weighted average number of dilutive stock options<br>outstanding   | 200                            | 251       |
| Denominator used for diluted per share computations  | 3,725                          | 3,735     |
| Dividends declared per share   | \$ 0.04                        | \$ 0.03   |

See notes to condensed consolidated financial statements

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ACME UNITED CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(all amounts in thousands)

| Three Months Ended<br>March 31 |      |
|--------------------------------|------|
| 2007                           | 2006 |
|                                |      |

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|   |          |         |
|---|----------|---------|
| Operating Activities:   |          |         |
| Net income  | \$ 650   | \$ 759  |
| Adjustments to reconcile net income to net cash used by operating activities: |          |         |
| Depreciation  | 198      | 199     |
| Amortization  | 13       | 8       |
| Stock compensation expense  | 53       | 66      |
| Changes in operating assets and liabilities:                                  |          |         |
| Accounts receivable   | 1,188    | (228)   |
| Inventories   | (500)    | (1,821) |
| Prepaid expenses and other current assets                                     | (643)    | (436)   |
| Other assets  |          |         |
| Accounts payable  | 225      | 404     |
| Other accrued liabilities   | (1,501)  | (1,059) |
| Total adjustments   | (969)    | (2,867) |
| Net cash used by operating activities   | (319)    | (2,108) |
| Investing Activities:   |          |         |
| Purchase of property, plant, and equipment                                    | (85)     | (35)    |
| Purchase of patents and trademarks  | (3)      | (39)    |
| Net cash used by investing activities   | (88)     | (74)    |
| Financing Activities:   |          |         |
| Net borrowing of long-term debt   | 236      | 2,206   |
| Proceeds from issuance of common stock  | 153      | 7       |
| Distributions to stockholders   | (105)    | (117)   |
| Purchase of treasury stock  | (347)    | -       |
| Net cash (used) provided by financing activities                              | (64)     | 2,096   |
| Effect of exchange rate changes   | 19       | -       |
| Net change in cash and cash equivalents                                       | (452)    | (86)    |
| Cash and cash equivalents at beginning of period                              | 3,838    | 1,076   |
| Cash and cash equivalents at end of period                                    | \$ 3,386 | \$ 990  |

See notes to condensed consolidated financial statements

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### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

#### Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments necessary to present fairly the financial position, results of operations and cash flows of Acme United Corporation (the "Company"). These adjustments are of a normal, recurring nature. However, the financial statements do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2006

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for such disclosures. The condensed consolidated balance sheet as of December 31, 2006 was derived from the audited consolidated balance sheet as of that date. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto, included in the Company's 2006 Form 10-K.

### Note 2 -- Contingencies

The Company is involved from time to time in disputes and other litigation in the ordinary course of business and may encounter other contingencies, which may include environmental and other matters. The Company presently believes that none of these matters, individually or in the aggregate, would be likely to have a material adverse impact on financial position, results of operations or liquidity.

### Note 3 -- Pension

Components of net periodic pension cost are as follows for the periods set forth below:

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | March 31<br>2007   | March 31<br>2006 |
|  |                    |                  |
| Components of net periodic benefit cost: |                    |                  |
| Interest cost                            | \$ 47,500          | \$ 48,000        |
| Service cost                             | 7,500              | 8,750            |
| Expected return on plan assets           | (57,500)           | (52,250)         |
| Amortization of prior service costs      | 2,250              | 2,250            |
| Amortization of actuarial gain           | 22,000             | 22,000           |
|  | \$ 21,750          | \$ 28,750        |

### Note 4 -- Long Term Debt and Capital Structure

The Company's revolving loan agreement, as amended, provides for borrowing up to \$15 million with all outstanding amounts under the related loan to be repaid on or before June 30, 2009. At March 31, 2007 and December 31, 2006, the Company had borrowings of \$10,422,845 and \$10,187,245, respectively, under the revolving loan agreement. Based on the scheduled maturity date, the Company has classified the borrowings at March 31, 2007 as long-term liabilities.

During the first three months of 2007, the Company issued 28,450 shares of common stock with proceeds of \$153,076 to the Company upon the exercise of outstanding stock options. During the same period, the Company also repurchased 25,000 shares of common stock for treasury. These shares were purchased at fair market value, with a total cost to the Company of \$347,000.

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### Note 5-- Segment Information

The Company reports financial information based on the organization structure

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used by management for making operating and investment decisions and for assessing performance. The Company's reportable business segments include (1) United States; (2) Canada; and (3) Europe. The activities of the Company's Asian operating segment are closely linked to those of the U.S. operating segment; accordingly, Management reviews the financial results of both segments on a consolidated basis, and, the results of the Asian operating segment have been aggregated with the results of the United States operating segment to form one reportable segment called the United States operating segment. The determination of reportable segments is based on the guidance set forth in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". Each reportable segment derives its revenue from the sales of cutting devices, measuring instruments and safety products for school, office, home and industrial use.

The Chief Operating Decision Maker evaluates the performance of each operating segment based on segment revenues and operating income. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations.

Financial data by segment:

(in thousands)

|                              | Three months ended March 31 |             |
|------------------------------|-----------------------------|-------------|
|                              | 2007                        | 2006        |
| Sales to external customers: |                             |             |
| United States                | \$ 9,273                    | \$ 9,681    |
| Canada                       | 1,571                       | 1,523       |
| Europe                       | 1,396                       | 1,053       |
| Consolidated                 | \$ 12,241                   | \$ 12,257   |
|                              | =====                       | =====       |
| Operating Income:            |                             |             |
| United States                | \$ 1,301                    | \$ 1,407    |
| Canada                       | 57                          | 69          |
| Europe                       | (182)                       | (183)       |
| Consolidated                 | \$ 1,176                    | \$ 1,293    |
|                              | =====                       | =====       |
| Assets by segment            | March 31                    | December 31 |
|                              | 2007                        | 2006        |
| United States                | \$ 24,132                   | \$ 24,516   |
| Canada                       | 6,124                       | 6,286       |
| Europe                       | 4,184                       | 4,219       |
| Consolidated                 | \$ 34,440                   | \$ 35,021   |
|                              | =====                       | =====       |

### Note 6 - Share Based Compensation

The Company recognizes share-based compensation in accordance with the provisions of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"). Share-based compensation expense was \$53,000 and \$66,000 for the quarters ended March 31, 2007 and March 31, 2006, respectively. As of March 31, 2007, there was \$392,406 of unrecognized compensation cost related to non-vested share-based payments granted to the Company's employees; no options were granted during the quarter ended March 31, 2007. The remaining

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unamortized expense is expected to be recognized over a weighted average period of approximately 1.6 years.

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### Note 7 - Comprehensive Income

Comprehensive income for the three months ended March 31, 2007 and March 31, 2006 consisted of the following:

|   | Three Months Ended<br>March 31 |        |
|---|--------------------------------|--------|
|   | 2007                           | 2006   |
| Net Income  | 650                            | 759    |
| Other comprehensive income / (loss) -                   |                                |        |
| Foreign currency translation                            | 64                             | (27)   |
| Change in fair value of derivative financial instrument |                                |        |
| Comprehensive income                                    | \$ 714                         | \$ 732 |

### Note 8 - Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement 109, "Accounting for Income Taxes", and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Based on our evaluation, there is no effect to the Company's financial statements from the adoption of FIN 48. Our evaluation was performed for the tax years ended December 31, 2003, 2004, 2005 and 2006, the tax years which remain subject to examination by major tax jurisdictions as of March 31, 2007. The Internal Revenue Service (IRS) is currently examining the company's U.S. federal income tax return for 2004.

In accordance with the Company's accounting policy, any interest and penalties related to uncertain tax positions are recognized in income tax expense.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations



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### Forward-Looking Information

The Company may from time to time make written or oral "forward-looking statements" including statements contained in this report and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements of the Company's plans, objectives, expectations, estimates and intentions, which are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, in addition to others not listed, could cause the Company's actual results to differ materially from those expressed in forward looking statements: the strength of the domestic and local economies in which the Company conducts operations, changes in client needs and consumer spending habits, the impact of competition and technological change on the Company, the Company's ability to manage its growth effectively, including its ability to successfully integrate any business which it might acquire, and currency fluctuations. A more detailed discussion of such factors is set forth in Item 1A "Risk Factors" of Part 1 of the Company's Form 10-K for the fiscal year ended December 31, 2006. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

### Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, except as follows:

Accounting for Stock-Based Compensation. In the first quarter of 2006, the Company began accounting for stock-based compensation in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R "Share Based Payment" (SFAS 123R). The Company uses the Black-Scholes option - pricing model, which requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of the Company's common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements ("forfeitures"). Changes in the subjective assumptions can materially affect the estimate of fair value stock-based compensation and consequently, the related amount recognized on the consolidated statements of operations. Refer to Note 7 "Stock Based Compensation" for a more detailed discussion of the effects of SFAS 123R on our results of operations and financial condition.

### Results of Operations

#### Net Sales

Consolidated net sales for the quarter ended March 31, 2007 were \$12,241,000, compared with \$12,257,000 for the same period in 2006. Net sales for the first quarter in the U.S. operating segment decreased 4% over net sales for the same period in 2006. Sales in the first quarter of 2006 included over \$1 million of initial new product shipments to three major retail chains. Since these products are now regular items for these retailers, the first quarter of 2007's sales represented only restocking shipments. Sales in Europe and Canada increased by

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21% and 5% (in constant currency), respectively. Sales in Europe were positively impacted by new sales to a large pan-European superstore and an expanded product line with a major European retailer.

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

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### Gross Profit

The gross profit for the first quarter of 2007 was \$5,334,000 (44% of net sales) compared to \$5,552,000 (45% of net sales) for the first quarter of 2006. The margin in 2007 declined due to a higher proportion of European sales, which yield lower margins as compared to margins in the U.S. segment.

### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 2007 were \$4,158,000 (34% of net sales) compared with \$4,259,000 (35% of net sales) for the same period of 2006, a decrease of \$101,000.

### Operating Income

Operating income was \$1,176,000 in the first quarter of 2007 compared with \$1,293,000 in the first quarter of 2006, representing a decrease of \$116,000 or 9%. Operating income for the United States segment decreased by \$106,000 or 8%, primarily as a result of the decline in sales from the same period in 2006. Operating income in Canada decreased by \$12,000 or 17% primarily as a result of a high proportion of sales to customers with lower margins. The European operating loss remained relatively constant as compared to the same period in 2006.

### Interest Expense

Interest expense for the first quarter of 2007 was \$154,000, compared with \$125,000 for the same quarter of 2006, a \$29,000 increase. The increase in interest expense was primarily the result of higher borrowings under the Company's bank revolving credit facility.

### Other (Income) Expense, Net

Net other income was \$27,000 in the first quarter of 2007 compared to net other income of \$76,000 in the first quarter of 2006. The change from 2006 is primarily due to lower gains from foreign currency transactions in the first quarter of 2007.

### Income Taxes

The effective tax rate in the first quarter of 2007 was 38% compared to 39% in the first quarter of 2006.

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### Financial Condition

#### Liquidity and Capital Resources

The Company's working capital, current ratio and long-term debt to equity ratio follow:

|                                | March 31, 2007 | December 31, 2006 |
|--------------------------------|----------------|-------------------|
|                                | -----          | -----             |
| Working capital                | \$ 26,256,910  | \$ 25,460,578     |
| Current ratio                  | 6.51           | 5.22              |
| Long term debt to equity ratio | 56.3%          | 56.3%             |

During the first three months of 2007, total debt increased by \$236,000 compared to total debt at December 31, 2006, principally as a result of the buildup of inventory in anticipation of future business and the repurchase of common stock under a previously announced repurchase program, partially offset by earnings.

On March 6, 2006, the Company modified its Revolving Loan Agreement (the "Modified Loan Agreement") with Wachovia Bank. The Modified Loan Agreement amends certain provisions of the original Revolving Loan Agreement. The amendments include an increase in the maximum borrowing amount from \$10 million to \$15 million; an extension of the maturity date of the loan from June 30, 2007 to June 30, 2009; a decrease in the interest rate to LIBOR plus 1% (from LIBOR plus 1.5%), as well as modifications to certain covenant restrictions. Funds borrowed under the Modified Loan Agreement will be used for working capital, general operating expenses and certain other purposes. As of March 31, 2007, \$10,423,000 was outstanding and \$4,577,000 was available for borrowing under the Modified Loan Agreement.

Cash expected to be generated from operating activities, together with funds available under the Modified Loan Agreement are expected, under current conditions, to be sufficient to finance the Company's planned operations over the next twelve months.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF

#### FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued

#### Recently Issued Accounting Standards

#### Item 3. Quantitative and Qualitative Disclosure About Market Risk

There are no material changes in market risks as disclosed in the Company's annual Report on Form 10-K for the year ended December 31, 2006.

#### Item 4. Controls and Procedures

##### (a) Evaluation of Internal Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, which included inquiries made to certain other of our employees. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that, as of March 31, 2007, our disclosure controls and procedures

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were effective and sufficient to ensure that we record, process, summarize and report information required to be disclosed by us in our periodic reports filed under the Securities and Exchange Commission's rules and forms.

### (b) Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2007, there were no changes in our internal control over financial reporting that materially affected, or was reasonably likely to materially affect, this control.

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## PART II. OTHER INFORMATION

### Item 1 -- Legal Proceedings

The Company is involved from time to time in disputes and other litigation in the ordinary course of business, including certain environmental and other matters. The Company presently believes that none of these matters, individually or in the aggregate, would be likely to have a material adverse impact on its financial position, results of operations, or liquidity.

### Item 1a - Risk Factors

See Risk Factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

### Item 2 -- Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3 -- Defaults Upon Senior Securities

None.

### Item 4 -- Submission of Matters to a Vote of Security Holders

None.

### Item 5 -- Other Information

None.

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### Item 6 -- Exhibits

Documents filed as part of this report.

Exhibit 31.1 Certification of Walter C. Johnsen pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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Exhibit 31.2 Certification of Paul G. Driscoll pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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 thereunto duly authorized.

ACME UNITED CORPORATION

By            /s/ WALTER C. JOHNSEN  
-----  
                 Walter C. Johnsen  
                 Chairman of the Board and  
                 Chief Executive Officer

Dated: May 15, 2007

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

Dated: May 15, 2007

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