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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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(Mark One)

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

For the quarterly period ended May 2, 2020

OR

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

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

Commission file number 0-13200

**AstroNova, Inc.**

(Exact name of registrant as specified in its charter)

**Rhode Island**  
(State or other jurisdiction of  
incorporation or organization)

**600 East Greenwich Avenue, West Warwick, Rhode Island**  
(Address of principal executive offices)

**05-0318215**  
(I.R.S. Employer  
Identification No.)

**02893**  
(Zip Code)

**(401) 828-4000**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.05 Par Value	ALOT	NASDAQ Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No .

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of the registrant's common stock, \$.05 par value per share, outstanding as of June 23, 2020 was 7,163,293.

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## EXPLANATORY NOTE

As previously disclosed in our Current Report on Form 8-K filed with the SEC on June 11, 2020, the filing of this Quarterly Report on Form 10-Q for the period ended May 2, 2020 (the “Quarterly Report”) was delayed due to the significant disruptions to our business and operations as a result of the COVID-19 pandemic. In particular, many of our key finance and accounting personnel, as well as our accounting advisors, are working remotely as a result of social distancing measures put in place in response to COVID-19, and this caused significant inefficiencies in the processes relating to the preparation of this Quarterly Report. The impact of COVID-19 on our business also necessitated additional analysis in connection with the preparation and review of the Quarterly Report, including with regard to our available liquidity and capital resources and the impact of the COVID-19 crisis on goodwill and intangible asset impairment. We relied on the Securities and Exchange Commission’s order issued on March 4, 2020 and revised on March 25, 2020 (Release No. 34-88465) pursuant to Section 36 of the Securities Exchange Act of 1934, as amended, to delay the filing of this Quarterly Report.

ASTRONOVA, INC.

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**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**ASTRONOVA, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Thousands, Except Share Data)

	May 2, 2020 (Unaudited)	January 31, 2020
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 11,091	\$ 4,249
Accounts Receivable, net	18,473	19,784
Inventories, net	32,557	33,925
Prepaid Expenses and Other Current Assets	2,489	2,193
<b>Total Current Assets</b>	<b>64,610</b>	<b>60,151</b>
Property, Plant and Equipment, net	11,377	11,268
Intangible Assets, net	24,328	25,383
Goodwill	11,988	12,034
Deferred Tax Assets, net	5,073	5,079
Right of Use Assets	1,553	1,661
Other Assets	1,071	1,088
<b>TOTAL ASSETS</b>	<b>\$ 120,000</b>	<b>\$ 116,664</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,282	\$ 4,409
Accrued Compensation	2,893	2,700
Other Accrued Expenses	3,697	4,711
Revolving Credit Facility	11,500	6,500
Current Portion of Long-Term Debt	6,602	5,208
Current Liability – Royalty Obligation	2,000	2,000
Current Liability – Excess Royalty Payment Due	586	773
Deferred Revenue	375	466
<b>Total Current Liabilities</b>	<b>31,935</b>	<b>26,767</b>
Long-Term Debt, net of current portion	6,334	7,715
Royalty Obligation, net of current portion	7,550	8,012
Lease Liabilities, net of current portion	1,199	1,279
Deferred Tax Liabilities	378	435
Other Long-Term Liabilities	1,042	1,081
<b>TOTAL LIABILITIES</b>	<b>48,438</b>	<b>45,289</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock, \$0.05 Par Value, Authorized 13,000,000 shares; Issued 10,371,704 shares and 10,343,610 shares at May 2, 2020 and January 31, 2020, respectively	518	517
Additional Paid-in Capital	56,656	56,130
Retained Earnings	49,233	49,298
Treasury Stock, at Cost, 3,287,271 and 3,281,701 shares at May 2, 2020 and January 31, 2020, respectively	(33,531)	(33,477)
Accumulated Other Comprehensive Loss, net of tax	(1,314)	(1,093)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>71,562</b>	<b>71,375</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 120,000</b>	<b>\$ 116,664</b>

See Notes to condensed consolidated financial statements (unaudited).

**ASTRONOVA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(In Thousands, Except Per Share Data)**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>May 2, 2020</b>	<b>May 4, 2019</b>
Revenue	\$30,919	\$36,181
Cost of Revenue	20,064	21,942
Gross Profit	10,855	14,239
Operating Expenses:		
Selling and Marketing	5,925	6,765
Research and Development	1,940	2,007
General and Administrative	2,327	2,999
Operating Expenses	10,192	11,771
Operating Income	663	2,468
Other Expense, net	(349)	(368)
Income Before Income Taxes	314	2,100
Income Tax (Benefit) Provision	(118)	400
Net Income	\$ 432	\$ 1,700
Net Income Per Common Share—Basic:	\$ 0.06	\$ 0.24
Net Income Per Common Share—Diluted:	\$ 0.06	\$ 0.23
Weighted Average Number of Common Shares Outstanding:		
Basic	7,073	6,971
Diluted	7,105	7,248

See Notes to condensed consolidated financial statements (unaudited).

**ASTRONOVA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In Thousands)**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>May 2, 2020</b>	<b>May 4, 2019</b>
Net Income	\$ 432	\$ 1,700
Other Comprehensive Loss, Net of Taxes		
Foreign Currency Translation Adjustments	(142)	(172)
Change in Value of Derivatives Designated as Cash Flow Hedge	(46)	116
(Gains) Losses from Cash Flow Hedges Reclassified to Income Statement	(33)	(144)
Other Comprehensive Loss	(221)	(200)
Comprehensive Income	<u>\$ 211</u>	<u>\$ 1,500</u>

See Notes to condensed consolidated financial statements (unaudited).

**ASTRONOVA, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(\$ In Thousands, Except per Share Data)  
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balance February 1, 2019	10,218,559	\$ 511	\$ 53,568	\$49,511	\$(32,997)	\$ (818)	\$ 69,775
Share-Based Compensation	—	—	601	—	—	—	601
Employee Option Exercises	27,990	1	306	—	(11)	—	296
Restricted Stock Awards Vested, net	9,522	1	(1)	—	(69)	—	(69)
Cash Dividend—\$0.07 per share	—	—	—	(489)	—	—	(489)
Net Income	—	—	—	1,700	—	—	1,700
Other Comprehensive Loss	—	—	—	—	—	(200)	(200)
Balance May 4, 2019	<u>10,256,071</u>	<u>\$ 513</u>	<u>\$ 54,474</u>	<u>\$50,722</u>	<u>\$(33,077)</u>	<u>\$ (1,018)</u>	<u>\$ 71,614</u>

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balance February 1, 2020	10,343,610	\$ 517	\$ 56,130	\$49,298	\$(33,477)	\$ (1,093)	\$ 71,375
Share-Based Compensation	—	—	495	—	—	—	495
Employee Option Exercises	4,456	—	32	—	—	—	32
Restricted Stock Awards Vested, net	23,638	1	(1)	—	(54)	—	(54)
Cash Dividend—\$0.07 per share	—	—	—	(497)	—	—	(497)
Net Income	—	—	—	432	—	—	432
Other Comprehensive Loss	—	—	—	—	—	(221)	(221)
Balance May 2, 2020	<u>10,371,704</u>	<u>\$ 518</u>	<u>\$ 56,656</u>	<u>\$49,233</u>	<u>\$(33,531)</u>	<u>\$ (1,314)</u>	<u>\$ 71,562</u>

**ASTRONOVA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)  
(Unaudited)

	Three Months Ended	
	May 2, 2020	May 4, 2019
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 432	\$ 1,700
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>		
Depreciation and Amortization	1,568	1,584
Amortization of Debt Issuance Costs	12	13
Share-Based Compensation	495	601
<b>Changes in Assets and Liabilities:</b>		
Accounts Receivable	1,220	1,439
Inventories	1,237	(2,001)
Income Taxes	(90)	263
Accounts Payable and Accrued Expenses	(1,140)	(2,796)
Other	(314)	184
Net Cash Provided by Operating Activities	<u>3,420</u>	<u>987</u>
<b>Cash Flows from Investing Activities:</b>		
Additions to Property, Plant and Equipment	(626)	(586)
Net Cash Used by Investing Activities	<u>(626)</u>	<u>(586)</u>
<b>Cash Flows from Financing Activities:</b>		
Net Cash Proceeds from Employee Stock Option Plans	6	270
Net Cash Proceeds from Share Purchases under Employee Stock Purchase Plan	26	26
Net Cash Used for Payment of Taxes Related to Vested Restricted Stock	(54)	(69)
Borrowings under Revolving Credit Facility	5,000	—
Payment of Minimum Guarantee Royalty Obligation	(500)	(375)
Principal Payments of Long-Term Debt	—	(1,578)
Dividends Paid	(497)	(489)
Net Cash Provided (Used) by Financing Activities	<u>3,981</u>	<u>(2,215)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	67	49
Net Increase (Decrease) in Cash and Cash Equivalents	6,842	(1,765)
Cash and Cash Equivalents, Beginning of Period	4,249	7,534
Cash and Cash Equivalents, End of Period	<u>\$11,091</u>	<u>\$ 5,769</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid During the Period for Interest	\$ 124	\$ 110
Cash Paid During the Period for Income Taxes, Net of Refunds	\$ 128	\$ 142
<b>Schedule of Non-Cash Financing Activities:</b>		
Value of Shares Received in Satisfaction of Option Exercise Price	\$ —	\$ 11

See Notes to condensed consolidated financial statements (unaudited).

**ASTRONOVA, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Note 1 – Business and Basis of Presentation**

*Overview*

Headquartered in West Warwick, Rhode Island, AstroNova, Inc. leverages its expertise in data visualization technologies to design, develop, manufacture and distribute a broad range of specialty printers and data acquisition and analysis systems. Our products are employed around the world in a wide range of applications in the aerospace, apparel, automotive, avionics, chemical, computer peripherals, communications, distribution, food and beverage, general manufacturing, packaging and transportation industries. In the United States, we have factory-trained direct field salespeople located in major cities from coast to coast. We also have direct field sales or service centers in Canada, China, Denmark, France, Germany, Malaysia, Mexico, Singapore, and the United Kingdom staffed by our own employees and dedicated third-party contractors. Additionally, we utilize over 225 independent dealers and representatives selling and marketing our products in over 60 countries.

Our business consists of two segments, Product Identification (“PI”) and Test & Measurement (“T&M”). The PI segment includes specialty printing systems and related supplies sold under the brand names QuickLabel®, TrojanLabel® and GetLabels™. The T&M segment includes our line of aerospace flight deck printers and test and measurement data acquisition systems sold under the AstroNova® brand name.

PI products sold under the QuickLabel, TrojanLabel and GetLabels brands are used in brand owner and commercial applications to provide product packaging, marketing, tracking, branding and labeling solutions to a wide array of industries. The PI segment offers a variety of digital color label tabletop printers, high-volume presses and specialty original equipment manufacturer (“OEM”) printing systems, as well as a wide range of label, tag and flexible packaging material substrates and other supplies, including ink and toner, that allow customers to mark, track, protect and enhance the appearance of their products. In the T&M segment, we have a long history of using our technologies to provide networking systems and high-resolution light-weight flight deck and cabin printers for the aerospace market. In addition, the T&M segment includes data acquisition recorders, sold under the AstroNova brand, to enable our customers to acquire and record visual and electronic signal data from local and networked data streams and sensors. The recorded data is processed and analyzed and then stored and presented in various visual output formats.

Unless otherwise indicated, references to “AstroNova,” “we,” “our,” and “us” in this Quarterly Report on Form 10-Q refer to AstroNova, Inc. and its consolidated subsidiaries.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods included herein. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 31, 2020.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the condensed consolidated financial statements and accompanying notes, including those that require consideration of forecasted financial information, in context of the unknown future impacts of COVID-19 using information that is reasonably available to us at this time. Some of the more significant estimates relate to revenue recognition, the allowances for doubtful accounts, inventory valuation, income taxes, impairment of long-lived assets and goodwill, share-based compensation, accrued expenses, self-insurance liability accrual and warranty reserves. Management’s estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and management’s assessments of the probable future outcome of these matters, including our expectations at the time regarding the duration, scope and severity of the COVID-19 pandemic. Consequently, actual results could differ from those estimates.

Results of operations for the interim periods presented herein are not necessarily indicative of the results that may be expected for the full year.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation.

#### *Principles of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of AstroNova, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

#### **Note 2 – Summary of Significant Accounting Policies Update**

The accounting policies used in preparing the condensed consolidated financial statements in this Form 10-Q are the same as those used in preparing our consolidated financial statements as of and for the year ended January 31, 2020 and included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020.

#### ***Recently Adopted Accounting Pronouncements***

##### *Fair Value Measurement*

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The provisions of ASU 2018-13 relating to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. The remaining provisions should be applied retrospectively to all periods presented upon their effective date. We adopted the provisions of this guidance effective February 1, 2020. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

#### ***Recent Accounting Standards Not Yet Adopted***

##### *Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently in the process of evaluating the impact of the transition from LIBOR to an alternative reference rate, but we do not expect that to have a material impact on our consolidated financial statements.

No other new accounting pronouncements, issued or effective during the first three months of the current fiscal year, have had or are expected to have a material impact on our consolidated financial statements.

#### **Note 3 – Revenue Recognition**

We derive revenue from the sale of (i) hardware, including digital color label printers and specialty OEM printing systems, portable data acquisition systems, airborne printers and networking systems used in the flight deck and cabin of military, commercial and business aircraft, (ii) related supplies required in the operation of the hardware, (iii) repairs and maintenance of hardware and (iv) service agreements.

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*Revenues disaggregated by primary geographic markets and major product types are as follows:*

*Primary geographical markets:*

(In thousands)	Three Months Ended	
	May 2, 2020	May 4, 2019
United States	\$ 19,789	\$ 21,992
Europe	7,450	7,875
Canada	1,428	1,516
Asia	1,009	3,450
Central and South America	954	888
Other	289	460
Total Revenue	<u>\$ 30,919</u>	<u>\$ 36,181</u>

*Major product types:*

(In thousands)	Three Months Ended	
	May 2, 2020	May 4, 2019
Hardware	\$ 8,914	\$ 12,918
Supplies	19,118	19,727
Service and Other	2,887	3,536
Total Revenue	<u>\$ 30,919</u>	<u>\$ 36,181</u>

#### ***Contract Assets and Liabilities***

We normally do not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time. Our contract liabilities, which represent billings in excess of revenue recognized, are related to advanced billings for purchased service agreements and extended warranties. Contract liabilities were \$375,000 and \$466,000 at May 2, 2020 and January 31, 2020, respectively, and are recorded as deferred revenue in the condensed consolidated balance sheet. We recognized \$225,000 of revenue during the three-month period ended May 2, 2020, related to the deferred revenue balance at January 31, 2020.

#### ***Contract Costs***

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain costs related to obtaining sales contracts for our aerospace printer products meet the requirement to be capitalized. These costs are deferred and amortized based on the forecasted number of units sold over the remaining benefit term, which we currently estimate to be approximately 6 years. The balance of these contract assets at January 31, 2020 was \$944,000. We amortized \$15,000 of direct costs for the three months ended May 2, 2020 and the balance of deferred incremental direct costs net of accumulated amortization at May 2, 2020 was \$929,000, of which \$59,000 is reported in other current assets and \$870,000 is reported in other assets in the accompanying condensed consolidated balance sheet.

**Note 4 – Net Income Per Common Share**

Basic net income per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of shares and, if dilutive, common equivalent shares, determined using the treasury stock method for stock options, restricted stock awards and restricted stock units outstanding during the period. A reconciliation of the shares used in calculating basic and diluted net income per share is as follows:

	<b>Three Months Ended</b>	
	<b>May 2, 2020</b>	<b>May 4, 2019</b>
Weighted Average Common Shares Outstanding – Basic	7,073,278	6,970,914
Effect of Dilutive Options, Restricted Stock Awards and Restricted Stock Units	31,365	277,412
Weighted Average Common Shares Outstanding – Diluted	<u>7,104,643</u>	<u>7,248,326</u>

For the three months ended May 2, 2020 and May 4, 2019, the diluted per share amounts do not reflect common equivalent shares outstanding of 865,157 and 260,422, respectively, because their effect would have been anti-dilutive.

**Note 5 – Intangible Assets**

Intangible assets are as follows:

	<b>May 2, 2020</b>				<b>January 31, 2020</b>			
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Currency Translation Adjustment</b>	<b>Net Carrying Amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Currency Translation Adjustment</b>	<b>Net Carrying Amount</b>
<b>(In thousands)</b>								
<b>Miltope:</b>								
Customer Contract Relationships	\$ 3,100	\$ (2,098)	\$ —	\$ 1,002	\$ 3,100	\$ (2,021)	\$ —	\$ 1,079
<b>RITEC:</b>								
Customer Contract Relationships	2,830	(1,156)	—	1,674	2,830	(1,076)	—	1,754
Non-Competition Agreement	950	(918)	—	32	950	(871)	—	79
<b>TrojanLabel:</b>								
Existing Technology	2,327	(1,136)	68	1,259	2,327	(1,053)	78	1,352
Distributor Relations	937	(320)	22	639	937	(297)	27	667
<b>Honeywell:</b>								
Customer Contract Relationships	27,243	(7,521)	—	19,722	27,243	(6,791)	—	20,452
<b>Intangible Assets, net</b>	<u>\$ 37,387</u>	<u>\$ (13,149)</u>	<u>\$ 90</u>	<u>\$ 24,328</u>	<u>\$ 37,387</u>	<u>\$ (12,109)</u>	<u>\$ 105</u>	<u>\$ 25,383</u>

There were no impairments to intangible assets during the periods ended May 2, 2020 and May 4, 2019. With respect to the acquired intangibles included in the table above, amortization expense of \$1.0 million and \$1.1 million has been included in the condensed consolidated statements of income for the three months ended May 2, 2020 and May 4, 2019, respectively.

Estimated amortization expense for the next five fiscal years is as follows:

<b>(In thousands)</b>	<b>Remaining 2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Estimated amortization expense	\$ 3,018	\$ 3,964	\$ 3,957	\$ 3,960	\$ 3,392

**Note 6 – Inventories**

Inventories are stated at the lower of cost (first-in, first-out) and net realizable value and include material, labor and manufacturing overhead. The components of inventories are as follows:

(In thousands)	May 2, 2020	January 31, 2020
Materials and Supplies	\$ 20,793	\$ 20,151
Work-In-Process	1,684	1,408
Finished Goods	16,781	17,992
	<u>39,258</u>	<u>39,551</u>
Inventory Reserve	(6,701)	(5,626)
	<u>\$ 32,557</u>	<u>\$ 33,925</u>

**Note 7 – Revolving Line of Credit**

At May 2, 2020, we have a revolving line of credit under our existing credit agreement with Bank of America (the “Credit Agreement”). Revolving credit loans may be borrowed, at our option, in U.S. Dollars or, subject to certain conditions, Euros, British Pounds, Canadian Dollars or Danish Kroner. Amounts borrowed under the revolving credit facility bear interest at a rate *per annum* equal to, at our option, either (a) the LIBOR rate (or, in the case of revolving credit loans denominated in a currency other than U.S. Dollars, the applicable quoted rate), plus a margin that varies within a range of 1.0% to 1.5% based on our consolidated leverage ratio, or (b) a fluctuating reference rate equal to the highest of (i) the federal funds’ rate plus 0.50%, (ii) Bank of America’s publicly announced prime rate or (iii) the LIBOR rate plus 1.00%, plus a margin that varies within a range of 0.0% to 0.5% based on our consolidated leverage ratio.

At May 2, 2020, \$11.5 million was drawn on the revolving line of credit. The outstanding balance bears interest at a weighted average annual rate of 2.52% and \$73,000 and \$19,000 of interest has been incurred on this obligation and included in other expense in the accompanying condensed consolidated income statement for the three-month periods ended May 2, 2020 and May 4, 2019, respectively. At May 2, 2020, there was \$6.0 million available for borrowing under the revolving credit facility. Pursuant to the terms of the Fourth Amendment to our Credit Agreement, which we and Bank of America entered into in December 2019, the aggregate amount available for borrowings under the revolving line of credit will decrease to \$10.0 million at the end of the third quarter of fiscal year 2021.

We are required to pay a commitment fee on the undrawn portion of the revolving credit facility at the rate of 0.25% *per annum*.

See Note 17–Subsequent Events–Letter Agreement with Bank of America for a discussion of the letter agreement we entered into with Bank of America on June 22, 2020, which, among other things, suspends our access to the revolving line of credit under the Credit Agreement on the terms described therein.

**Note 8 – Debt**

Long-term debt in the accompanying condensed consolidated balance sheets is as follows:

(In thousands)	May 2, 2020	January 31, 2020
USD Term Loan (2.24% as of May 2, 2020 and 3.03% as of January 31, 2020); maturity date of November 30, 2022	\$ 8,250	\$ 8,250
USD Term Loan (2.24% as of May 2, 2020 and 3.03% as of January 31, 2020); maturity date of January 31, 2022	4,784	4,784
	<u>\$ 13,034</u>	<u>\$ 13,034</u>
Debt Issuance Costs, net of accumulated amortization	(98)	(111)
Current Portion of Term Loans	(6,602)	(5,208)
Long-Term Debt	<u>\$ 6,334</u>	<u>\$ 7,715</u>

The schedule of required principal payments remaining during the next five years on long-term debt outstanding as of May 2, 2020 is as follows:

<b>(In thousands)</b>	
Fiscal 2021, remainder	\$ 5,208
Fiscal 2022	5,576
Fiscal 2023	2,250
	<u>\$ 13,034</u>

**Note 9 – Derivative Financial Instruments and Risk Management**

We entered into a cross-currency interest rate swap to manage the interest rate risk and foreign currency exchange risk associated with the floating-rate foreign currency-denominated term loan borrowing by our Danish Subsidiary and an interest rate swap to manage the interest rate risk associated with our variable rate term loan borrowing. Both swaps have been designated as cash flow hedges of floating-rate borrowings.

Our cross-currency interest rate swap agreement effectively modifies our exposure to interest rate risk and foreign currency exchange rate risk by converting our floating-rate debt denominated in U.S. Dollars on our Danish subsidiary’s books to a fixed-rate debt denominated in Danish Kroner for the term of the loan, thus reducing the impact of interest-rate and foreign currency exchange rate changes on future interest expense and principal repayments. This swap involves the receipt of floating rate amounts in U.S. Dollars in exchange for fixed-rate interest payments in Danish Kroner, as well as exchanges of principal at the inception spot rate, over the life of the term loan.

The interest rate swap agreement we utilize on our term loan effectively modifies our exposure to interest rate risk by converting our floating-rate debt to fixed-rate debt for the next five years, thus reducing the impact of interest-rate changes on future interest expense. This swap involves the receipt of floating rate amounts in U.S. Dollars in exchange for fixed rate payments in U.S. dollars over the life of the term loan.

The following table summarizes the notional amount and fair value of our derivative instruments:

<b>Cash Flow Hedges (In thousands)</b>	<b>May 2, 2020</b>			<b>January 31, 2020</b>		
	<b>Notional Amount</b>	<b>Fair Value Derivatives</b>		<b>Notional Amount</b>	<b>Fair Value Derivatives</b>	
		<b>Asset</b>	<b>Liability</b>		<b>Asset</b>	<b>Liability</b>
Cross-currency Interest Rate Swap	\$ 4,489	\$ —	\$ 192	\$ 4,489	\$ —	\$ 250
Interest Rate Swap	\$ 8,250	\$ —	\$ 202	\$ 8,250	\$ —	\$ 96

The fair value of both the Cross-currency Interest Rate Swap and the Interest Rate swap are included in other long-term liabilities on the condensed consolidated balance sheets for the periods ended May 2, 2020 and January 31, 2020.

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The following table presents the impact of our derivative instruments in our condensed consolidated financial statements for the three months ended May 2, 2020 and May 4, 2019:

Cash Flow Hedge (In thousands)	Amount of Gain (Loss) Recognized in OCI on Derivative		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Expense)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Expense)	
	May 2, 2020	May 4, 2019		May 2, 2020	May 4, 2019
Swap Contracts	\$ (58)	\$ 149	Other Income (Expense)	\$ 43	\$ 185

At May 2, 2020, we expect to reclassify approximately \$30 thousand of net gains on the swap contracts from accumulated other comprehensive loss to earnings during the next 12 months due to changes in foreign exchange rates and the payment of variable interest associated with the floating-rate debt.

**Note 10 – Royalty Obligation**

In fiscal 2018, we entered into an Asset Purchase and License Agreement (the “Honeywell Agreement”) with Honeywell International, Inc. (“Honeywell”) to acquire an exclusive, perpetual, world-wide license to manufacture Honeywell’s narrow-format flight deck printers for two aircraft families along with certain inventory used in the manufacturing of the licensed printers. The purchase price included a guaranteed minimum royalty payment of \$15.0 million, to be paid over ten years. Royalty payments are based on gross revenues from the sales of the printers, paper and repair services of the licensed products. The royalty rates vary based on the year in which they are paid or earned and product sold or service provided, and range from single-digit to mid double-digit percentages of gross revenue.

The guaranteed minimum royalty payment obligation was recorded at the present value of the minimum annual royalty payments using a present value factor of 2.8%, which is based on the estimated after-tax cost of debt for similar companies. As of May 2, 2020, we had paid an aggregate of \$4.0 million of the guaranteed minimum royalty obligation. At May 2, 2020, the current portion of the outstanding guaranteed minimum royalty obligation of \$2.0 million is to be paid over the next twelve months and is reported as a current liability and the remainder of \$7.5 million is reported as a long-term liability on our condensed consolidated balance sheet. In addition to the guaranteed minimum royalty payments, we also incur excess royalty expense in connection with the Honeywell Agreement. We did not incur any excess royalty expense for the three-month period ended May 2, 2020. We did incur \$0.6 million of excess royalty expense for the three-month period ended May 4, 2019, which is included in cost of revenue in our condensed consolidated statements of income for that period. A total of \$0.6 million of excess royalty is payable and reported as a current liability on our condensed consolidated balance sheet at May 2, 2020.

**Note 11 – Leases**

We enter into lease contracts for certain of our facilities at various locations worldwide. Our leases have remaining lease terms of 1 to 8 years, some of which include options to extend the lease term for periods of up to five years when it is reasonably certain that we will exercise such options.

Balance sheet and other information related to our leases is as follows:

Operating Leases (In thousands)	Balance Sheet Classification	May 2, 2020	January 31, 2020
Lease Assets	Right of Use Assets	\$ 1,553	\$ 1,661
Lease Liabilities – Current	Other Accrued Expenses	391	416
Lease Liabilities – Long Term	Lease Liabilities	1,199	1,279

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Lease cost information is as follows:

<b>Operating Leases (In thousands)</b>	<b>Statement of Income Classification</b>	<b>Three Months Ended</b>	
		<b>May 2, 2020</b>	<b>May 4, 2019</b>
Operating Lease Costs	General and Administrative Expense	\$ 120	\$ 92

Maturities of operating lease liabilities are as follows:

<b>(In thousands)</b>	<b>May 2, 2020</b>
2021	\$ 305
2022	348
2023	298
2024	272
2025	168
Thereafter	391
Total Lease Payments	1,782
Less: Imputed Interest	(192)
Total Lease Liabilities	<u>\$ 1,590</u>

As of May 2, 2020, the weighted-average remaining lease term and weighted-average discount rate for our operating leases are 5.6 years and 3.99%, respectively. We calculated the weighted-average discount rate using incremental borrowing rates, which equal the rates of interest that we would pay to borrow funds on a fully collateralized basis over a similar term.

Supplemental cash flow information related to leases is as follows:

<b>(In thousands)</b>	<b>Three Months Ended</b>	
	<b>May 2, 2020</b>	<b>May 4, 2019</b>
Cash paid for amounts included in the measurement of lease liabilities:	\$ 106	\$ 100

**Note 12 – Accumulated Other Comprehensive Loss**

The changes in the balance of accumulated other comprehensive loss (“AOCL”) by component are as follows:

<b>(In thousands)</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Cash Flow Hedges</b>	<b>Total</b>
Balance at January 31, 2020	\$ (985)	\$ (108)	\$ (1,093)
Other Comprehensive Loss before reclassification	(142)	(46)	(188)
Amounts reclassified from AOCL to Earnings	—	(33)	(33)
Other Comprehensive Loss	(142)	(79)	(221)
Balance at May 2, 2020	<u>\$ (1,127)</u>	<u>\$ (187)</u>	<u>\$ (1,314)</u>

The amounts presented above in other comprehensive loss are net of taxes except for translation adjustments associated with our German and Danish subsidiaries.

**Note 13 – Share-Based Compensation**

We have one equity incentive plan from which we are authorized to grant equity awards, the AstroNova, Inc. 2018 Equity Incentive Plan (the “2018 Plan”). The 2018 Plan provides for, among other things, the issuance of awards, including incentive stock options, non-qualified stock options, stock appreciation rights, time-based restricted stock units (“RSUs”), or performance-based restricted stock units (“PSUs”) and restricted stock awards (RSAs). The 2018 Plan authorizes the issuance of up to 950,000 shares of common stock, plus an additional number of shares equal to the number of shares subject to awards granted under previous equity incentive plans that are forfeited, cancelled, satisfied without the issuance of stock, otherwise terminated (other than by exercise), or, for shares of stock issued pursuant to any unvested award, that are reacquired by us at not more than the grantee’s purchase price (other than by exercise). Under the 2018 Plan, all awards to employees generally have a minimum vesting period of one year. Options granted under the 2018 Plan must be issued at an exercise price of not less than the fair market value of our common stock on the date of grant and expire after ten years. Under the 2018 Plan, 293,014 of unvested shares of restricted stock and options to purchase an aggregate of 135,500 shares were outstanding as of May 2, 2020.

In addition to the 2018 Plan, we previously granted equity awards under our 2015 Equity Incentive Plan (the “2015 Plan”) and our 2007 Equity Incentive Plan (the “2007 Plan”). No new awards may be issued under either the 2007 or 2015 plans, but outstanding awards will continue to be governed by those plans. As of May 2, 2020, options to purchase an aggregate of 344,245 shares were outstanding under the 2007 Plan and 15,113 unvested shares of restricted stock and options to purchase an aggregate of 148,725 shares were outstanding under the 2015 Plan.

We also have a Non-Employee Director Annual Compensation Program (the “Program”), under which each of our non-employee directors automatically receives a grant of restricted stock on the date of their re-election to our board of directors. The number of whole shares granted is equal to the number calculated by dividing the stock component of the director compensation amount determined by the compensation committee for that year by the fair market value of our stock on that day. The value of the restricted stock award for fiscal 2021 is \$60,000. Shares of restricted stock granted under the Program become vested on the first anniversary of the date of grant, conditioned upon the recipient’s continued service on our board of directors through that date.

Share-based compensation expense was recognized as follows:

(In thousands)	Three Months Ended	
	May 2, 2020	May 4, 2019
Stock Options	\$ 133	\$ 212
Restricted Stock Awards and Restricted Stock Units	357	384
Employee Stock Purchase Plan	5	5
Total	<u>\$ 495</u>	<u>\$ 601</u>

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*Stock Options*

There were no stock options granted during the three-month periods ended May 2, 2020 and May 4, 2019.

Aggregated information regarding stock option activity for the three months ended May 2, 2020 is summarized below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 31, 2020	679,044	\$ 14.46
Granted	—	—
Exercised	(800)	7.36
Forfeited	(48,374)	12.83
Canceled	(1,400)	7.36
Outstanding at May 2, 2020	<u>628,470</u>	<u>\$ 14.61</u>

Set forth below is a summary of options outstanding at May 2, 2020:

<u>Range of Exercise prices</u>	<u>Outstanding</u>			<u>Exercisable</u>		
	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life</u>	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>
\$5.00-10.00	42,281	\$ 7.98	2.0	42,281	\$ 7.98	2.0
\$10.01-15.00	364,464	\$ 13.63	5.5	319,166	\$ 13.65	5.3
\$15.01-20.00	221,725	\$ 17.48	7.5	128,871	\$ 16.92	7.1
	<u>628,470</u>	<u>\$ 14.61</u>	<u>6.0</u>	<u>490,318</u>	<u>\$ 14.02</u>	<u>5.5</u>

As of May 2, 2020, there was approximately \$0.6 million of unrecognized compensation expense related to stock options which is expected to be recognized over a weighted average period of approximately 1.3 years.

*Restricted Stock Units, Performance Based Restricted Stock Units and Restricted Stock Awards*

Aggregated information regarding RSU, PSU and RSA activity for the three months ended May 2, 2020 is summarized below:

	<u>RSUs, PSUs &amp; RSAs</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at January 31, 2020	134,634	\$ 16.79
Granted	197,131	7.94
Vested	(23,638)	13.00
Outstanding at May 2, 2020	<u>308,127</u>	<u>\$ 11.42</u>

As of May 2, 2020, there was approximately \$2.7 million of unrecognized compensation expense related to RSUs and RSAs which is expected to be recognized over a weighted average period of 1.1 years.

*Employee Stock Purchase Plan*

We have an Employee Stock Purchase Plan allowing eligible employees to purchase shares of common stock at a 15% discount from fair value on the first or last day of an offering period, whichever is less. A total of 247,500 shares were reserved for issuance under this plan. During the three months ended May 2, 2020 and May 4, 2019, there were 3,755 and 1,571 shares, respectively, purchased under this plan. As of May 2, 2020, 21,219 shares remain available under our Employee Stock Purchase Plan.

**Note 14 – Income Taxes**

Our effective tax rates for the period are as follows:

	<u>Three Months Ended</u>
Fiscal 2021	(37.6)%
Fiscal 2020	19.0%

We determine our estimated annual effective tax rate at the end of each interim period based on full-year forecasted pre-tax income and facts known at that time. The estimated annual effective tax rate is applied to the year-to-date pre-tax income at the end of each interim period with the cumulative effect of any changes in the estimated annual effective tax rate being recorded in the fiscal quarter in which the change is determined. The tax effect of significant unusual items is reflected in the period in which they occur.

During the three months ended May 2, 2020, we recognized an income tax benefit of approximately \$118,000. The effective tax rate in this period was directly impacted by a reduction in our forecasted operating results for fiscal 2021 and a \$78,000 tax benefit related to the expiration of the statute of limitations on previously uncertain tax positions. During the three months ended May 4, 2019, we recognized an income tax expense of approximately \$400,000. The effective tax rate in this period was directly impacted by a \$53,000 tax benefit related to the expiration of the statute of limitations on a previously uncertain tax position and a \$97,000 windfall tax benefit related to our stock.

We maintain a valuation allowance on some of our deferred tax assets in certain jurisdictions. A valuation allowance is required when, based upon an assessment of various factors, including recent operating loss history, anticipated future earnings, and prudent and reasonable tax planning strategies, it is more likely than not that some portion of the deferred tax assets will not be realized.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial reporting purposes. As of May 2, 2020, our cumulative unrecognized tax benefits totaled \$319,000 compared to \$362,000 as of January 31, 2020. Besides the expiration of the statute of limitations on a previously uncertain tax position, there were no other developments affecting our unrecognized tax benefits during the quarter ended May 2, 2020.

**Note 15 – Segment Information**

We report two segments: Product Identification (“PI”) and Test & Measurement (“T&M”). We evaluate segment performance based on the segment profit (loss) before corporate expenses.

Summarized below are the Revenue and Segment Operating Profit (Loss) for each reporting segment:

(In thousands)	Three Months Ended			
	Revenue		Segment Operating Profit (Loss)	
	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
PI	\$22,380	\$23,591	\$ 3,146	\$ 2,886
T&M	8,539	12,590	(156)	2,581
Total	<u>\$30,919</u>	<u>\$36,181</u>	2,990	5,467
Corporate Expenses			2,327	2,999
Operating Income			663	2,468
Other Expense, Net			(349)	(368)
Income Before Income Taxes			314	2,100
Income Tax (Benefit) Provision			(118)	400
Net Income			<u>\$ 432</u>	<u>\$ 1,700</u>

**Note 16 – Fair Value**

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following tables provide a summary of the financial liabilities that are measured at fair value as of May 2, 2020 and January 31, 2020:

<i>Liabilities measured at fair value:</i> (In thousands)	Fair value measurement at May 2, 2020				Fair value measurement at January 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cross-Currency Interest Rate Swap Contract (included in Other Long-Term Liabilities)	\$ —	\$ 192	\$ —	\$192	\$ —	\$ 250	\$ —	\$250
Interest Rate Swap Contract (included in Other Long-Term Liabilities)	—	202	—	202	—	96	—	96
Earnout Liability (included in Other Long-Term Liabilities)	—	—	—	—	—	—	14	14
Total Liabilities	<u>\$ —</u>	<u>\$ 394</u>	<u>\$ —</u>	<u>\$394</u>	<u>\$ —</u>	<u>\$ 346</u>	<u>\$ 14</u>	<u>\$360</u>

We use the market approach to measure fair value of our derivative instruments. Derivative instruments were measured at fair value using readily observable market inputs, such as quotations on interest rates and foreign exchange rates, and are classified as Level 2 because they are over-the-counter contracts with a bank counterparty that are not traded in an active market.

**Assets and Liabilities Not Recorded at Fair Value**

Our long-term debt, including the current portion of long-term debt not reflected in the financial statements at fair value, is reflected in the table below:

(In thousands)	May 2, 2020				Carrying Value
	Fair Value Measurement				
	Level 1	Level 2	Level 3	Total	
Long-Term Debt and related current maturities	\$ —	\$ —	\$ 13,227	\$ 13,227	\$ 13,034

  

(In thousands)	January 31, 2020				Carrying Value
	Fair Value Measurement				
	Level 1	Level 2	Level 3	Total	
Long-Term Debt and related current maturities	\$ —	\$ —	\$ 13,258	\$ 13,258	\$ 13,034

The fair value of our long-term debt, including the current portion, is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings and is classified as Level 3.

**Note 17 – Subsequent Events**

***Payroll Protection Program Loan***

On May 6, 2020, we entered into a loan agreement with, and executed a promissory note in favor of Greenwood Credit Union (“Greenwood”) pursuant to which we borrowed \$4.4 million (the “PPP Loan”) from Greenwood pursuant to the Paycheck Protection Program (“PPP”) administered by the United States Small Business Administration (the “SBA”) and authorized by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020.

The terms of the PPP Loan were subsequently revised in accordance with the provisions of the Paycheck Protection Flexibility Act of 2020 (the “PPP Flexibility Act”) which was enacted on June 5, 2020.

The PPP Loan, which will mature on the fifth anniversary of the date on which we submit our request for forgiveness with respect to the PPP Loan, is unsecured and bears interest at a rate of 1.0% per annum. The PPP Loan may be prepaid at any time without penalty. The Loan Agreement and Promissory Note include customary provisions for a loan of this type, including prohibitions on our payment of dividends or repurchase of shares of our stock while the PPP Loan remains outstanding. The Loan Agreement and Promissory Note also include events of default relating to, among other things, payment defaults, breaches of the provisions of the Loan Agreement or the Promissory Note, and cross-defaults on other loans.

Subject to the limitations and conditions set forth in the CARES Act, the PPP Flexibility Act, and the regulations and guidance provided by the SBA with respect to the PPP, a portion of the PPP Loan in an amount up to the amount of the PPP Loan proceeds that we spend on payroll, rent, utilities and interest on certain debt during the twenty-four-week period following incurrence of the PPP Loan, may be forgiven under the PPP. The amount of the PPP Loan to be forgiven in respect of rent, utilities and interest on certain debt will be capped at 40% of the forgiven amount, with the remaining forgiven amount allocated to payroll costs. We intend to utilize the proceeds of the PPP Loan in a manner which will enable us to qualify for forgiveness of the PPP Loan. However, no assurance can be provided that all or any portion of the PPP Loan will be forgiven.

***Letter Agreement with Bank of America***

On June 22, 2020, we entered into a Letter Agreement with Bank of America, N.A. Pursuant to that agreement, Bank of America agreed to waive compliance with certain financial covenants in our Credit Agreement related to our consolidated leverage ratio and consolidated EBITDA (as defined in the Credit Agreement) for the measurement period ending May 2, 2020. The Letter Agreement imposes an additional financial covenant that requires us to have, as of June 30, 2020, consolidated EBITDA of not less than \$9.5 million on a trailing twelve-months basis, and to report our compliance with such covenant on or before August 15, 2020. The Letter Agreement provides that such covenant will not be tested until August 15, 2020 and we do not expect to be in compliance with the covenants at the time, hence constituting an immediate event of default under the Credit Agreement. However, we and Bank of America are actively negotiating the terms of an amendment to restructure the Credit Agreement that would provide for mutually acceptable revised financial and operational covenants and other mutually acceptable revised terms and we both fully expect that amendment to be executed prior to August 15, 2020. The effect of the Letter Agreement therefore is to give both parties sufficient time to complete the relevant documentation and also enable us to execute the amendment by that deadline.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Business Overview

This section should be read in conjunction with our condensed consolidated financial statements included elsewhere herein and our Annual Report on Form 10-K for the fiscal year ended January 31, 2020.

AstroNova is a multi-national enterprise that leverages its proprietary data visualization technologies to design, develop, manufacture, distribute and service a broad range of products that acquire, store, analyze and present data in multiple formats. We organize our structure around a core set of competencies, including research and development, manufacturing, service, marketing and distribution. We market and sell our products and services through the following two segments:

- Product Identification ("PI") – offers color and monochromatic digital label printers, over-printers and custom OEM printers. PI also offers software to design, manage and print labeling and packaging images locally and across networked printing systems, as well as all related printing supplies such as pressure sensitive labels, tags, inks, toners and thermal transfer ribbons used by digital printers. PI also provides on-site and remote service, spare parts and various service contracts.
- Test and Measurement ("T&M") – offers a suite of products and services that acquire data from local and networked data streams and sensors as well as wired and wireless networks. The T&M segment includes a line of aerospace printers that are used to print hard copies of data required for the safe and efficient operation of aircraft including navigation maps, clearances, arrival and departure procedures, flight itineraries, weather maps, performance data, passenger data, and various air traffic control data. Aerospace products also include aircraft networking systems for high-speed onboard data transfer.

We market and sell our products and services globally through a diverse distribution structure of direct sales personnel, manufacturers' representatives and authorized dealers that deliver a full complement of branded products and services to customers in our respective markets. Our growth strategy centers on organic growth through product innovation made possible by research and development initiatives, as well as strategic acquisitions that fit into or complement existing core businesses.

In fiscal 2018, we entered into an Asset Purchase and License Agreement ("Honeywell Agreement") with Honeywell International, Inc. ("Honeywell") pursuant to which, we acquired the exclusive perpetual world-wide license to manufacture Honeywell's narrow format flight deck printers for the Boeing 737 and Airbus 320 aircraft. This added the two highest volume commercial aircraft programs in regular production to our product portfolio.

In March 2019, all major civil aviation authorities worldwide grounded the Boeing 737 MAX aircraft for safety reasons. In April 2019, Boeing reduced the number of 737 MAX aircraft produced per month from 52 to 42, and in January 2020, Boeing ceased production of the 737 MAX completely. Although, at this time it is not known when the Boeing 737 MAX will be certified to return to service by the various civil aviation authorities, on May 27, 2020, in anticipation of this certification, Boeing announced that it would re-start production at low initial rates and gradually increase production in the future. Once Boeing's manufacturing dates and delivery schedules for their aircraft customers are established, we expect that Boeing and Boeing's customers will begin to order printers from us for those aircraft. However, we expect that the adverse impact on our revenue and profitability by the production decline to date will continue until customer demand returns and that the impact will abate as demand begins to grow again.

On March 11, 2020, the World Health Organization declared COVID-19, a respiratory illness caused by a novel coronavirus, to be a pandemic. COVID-19 has spread throughout the United States and the rest of the world and has impacted all major markets in which we, our customers, our suppliers and our other business partners conduct business. Governments in affected regions have, and we expect that they will continue to implement safety precautions including quarantines, travel restrictions, business closures, cancellations of public gatherings and any other measures as they deem necessary. Many organizations and individuals, including us and our employees are taking additional steps to avoid or reduce infection, including limiting travel and working from home when possible. These measures are disrupting normal business operations both inside and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide.

Due to the COVID-19 pandemic, global air travel demand has precipitously declined, and the number of flights scheduled by airlines has been sharply curtailed. As a result, demand for aircraft by airlines has declined and is expected to remain lower for an unknown period, and thus manufacturers who make the airplanes that use our aerospace products have reduced their projected production rates across most or all of their product lines. Demand for spare products, paper, and parts and repairs has also been significantly impacted by the decline in air travel demand. While the major aircraft manufacturers have given some general statements to the public about their projected production rate changes that can be used to help align our overall production capacity, in general, we produce products according to customer forecasts and order rates and at this time, the actual rates and timing of production requirements that will materialize is uncertain. The degree and duration of the decline in future demand for aircraft and when and over what period any recovery will occur is still unknown. The decline in demand has had, and will continue to have a material adverse impact on our revenues and results of operations until demand recovers. Our strategy and operational plans are to maintain sufficient capabilities to satisfy demand as and when it occurs, while prudently adjusting costs as appropriate in the interim.

The COVID-19 pandemic has also had an adverse impact on the sales of our Product Identification hardware products due to travel restrictions, because, in most, cases customers prefer in-person demonstrations of these printers at their production sites prior to placing orders with us and those visits have been severely limited. Additionally, the widespread cancellation of trade shows, which traditionally provided an effective forum for customers to consider our products, has also had an adverse impact. A greater reliance on remote video demonstrations, sample deliveries and digital marketing has proven effective in obtaining sales, but at a lower level than traditional methods. We expect that, while our customers' acceptance of remote methods in their buying processes may have changed permanently, the degree to which that will prove to be the case once the current COVID-19 crisis has abated is unknown. Despite favorable market reception to our recently refreshed and expanded product lines, we expect that the level of hardware sales will remain lower until it is possible for our direct sales force and distributors to travel to visit customers and attend and present products at trade shows. The same dynamic has also affected our Test and Measurement product lines.

Shortly after the COVID-19 crisis began, we experienced a somewhat greater demand for ink, toner, media and parts supplies that are used in our digital label printers. In addition to the strong demand from our food & beverage customers, we have also seen increased demand coming from customers selling products that have experienced higher demand as a result of the COVID-19 crisis, such as, certain medical, janitorial and sanitation related products. We do not know how long this trend will continue. However, although we have had to occasionally extend our lead times because of some temporary labor shortages, we have been able to adjust production and satisfy our customer demands successfully, and being a reliable supplier is one of the characteristics on which we compete.

Since the COVID-19 pandemic began to impact us in early March, we have closely monitored the government and health authority recommendations applicable to us and have made modifications to our operations including requiring most non-production related team members to work remotely. While some inefficiencies related to remote work have occurred, overall effectiveness and productivity has been satisfactorily maintained. At the same time we have maintained sufficient capacity and employment levels in our manufacturing facilities located in West Warwick, Rhode Island, as well as in our manufacturing facilities in Canada and Germany to satisfy customer demand and related contractual commitments, despite a higher than normal level of absenteeism due to the ancillary impacts of the pandemic. We believe that as a result of a variety of heightened cleaning and sanitization standards, as well as several new health and safety protocols, procedures and workplace modifications implemented to safeguard our team members, the incidence of COVID-19 disease among our employees has thus far been limited. We know of only one case of COVID-19 among our teammates, and that individual returned to work, after completing the required quarantine period. Though the government mandated COVID-19 restrictions have begun to lessen in Rhode Island where our main production and office is located, if the COVID-19 crisis were to worsen it could have further material adverse impacts on our ability to maintain workforce levels, productivity and output. As a result, we are maintaining current precautions for the near-term.

In response to the COVID-19 pandemic and related economic dislocation, we are pursuing a variety of expense reduction and cash preservation initiatives. In connection with that effort, on April 27, 2020, our board of directors decided to suspend our quarterly cash dividend beginning with the second quarter of our fiscal year 2021. We have also reduced our direct labor staffing levels modestly in response to the COVID-19 crisis, while maintaining levels sufficient to compensate for inefficiencies and disruptions resulting from the implementation of COVID-19-related health and safety protocols and, in our Product Identification supplies business, to satisfy customer demand. Many of the expenses related to our aerospace product lines cannot be easily reduced because of the continued need to support our existing customers and to provide the required sales, engineering, quality, and regulatory compliance and audit activities (among others) necessary to support the demanding regulatory requirements for these product lines. We continue to monitor and examine our overall and product line-specific cost structures and customer demand patterns, and as time progresses and the near and longer-term business outlook becomes clearer, we may make additional adjustments to employment levels.

In addition to the reductions in demand for many of our products and the workforce impacts caused by the COVID-19 pandemic, we have also experienced some limited and temporary difficulties in obtaining raw materials and components for our products. These difficulties have had no meaningful negative impact on our production efficiency or our ability to satisfy customer requirements. However, more extensive and disruptive impacts may be experienced in the future, depending on how the COVID-19 pandemic and its impacts on the economy evolve.

Disruptions in the capital markets as a result of the COVID-19 outbreak have also adversely affected us, primarily because the bank lending market on which we depend has become more risk averse, leading to reduced availability of capital, higher loan pricing and less favorable terms. While we are currently negotiating the terms of an amendment to restructure our current credit facility with Bank of America, there can be no assurance that we will be successful in that negotiation or that the terms of any such restructured credit facility will be acceptable. If the negative impacts of the COVID-19 pandemic continue for a prolonged period, or become worse, and we need additional liquidity, it could have a material adverse impact on our access to capital and financial position.

**Results of Operations****Three Months Ended May 2, 2020 vs. Three Months Ended May 4, 2019**

Revenue by segment and current quarter percentage change over the prior year for the three months ended May 2, 2020 and May 4, 2019 were:

<b>(Dollars in thousands)</b>	<b>May 2, 2020</b>	<b>As a % of Revenue</b>	<b>May 4, 2019</b>	<b>As a % of Revenue</b>	<b>% Change Over Prior Year</b>
Product Identification	\$22,380	72.4%	\$23,591	65.2%	(5.1)%
T&M	8,539	27.6%	12,590	34.8%	(32.2)%
<b>Total</b>	<b>\$30,919</b>	<b>100.0%</b>	<b>\$36,181</b>	<b>100.0%</b>	<b>(14.5)%</b>

Revenue for the first quarter of the current year was \$30.9 million, representing a 14.5% decrease compared to the previous year first quarter revenue of \$36.2 million. Revenue through domestic channels for the first quarter of the current year was \$19.8 million, a decrease of 9.7% from the prior year's first quarter. International revenue for the first quarter of the current year was \$11.1 million, representing 36.0% of our first quarter revenue and reflects a 21.6% decrease from the previous year first quarter, primarily as a result of lower demand by a few customers in Asia in both the Product Identification and T&M segments. Current year first quarter international revenue includes an unfavorable foreign exchange rate impact of \$0.2 million.

Hardware revenue in the current quarter was \$8.9 million, a 31.0% decrease compared to the prior year first quarter revenue of \$12.9 million. The current quarter decrease can be attributed to both segments, as hardware revenue decreased 33.6% in the T&M segment and 24.3% in the PI segment compared to the prior year. The current quarter decrease in hardware revenue in the T&M segment is primarily due to the decline in aerospace printer sales related to the Honeywell product lines. Also contributing to the current year first quarter revenue decline in the T&M segment, was the decrease in sales of other aerospace products, as well as a decrease in sales of data acquisition recorders. These declines are a result of the continued grounding of the Boeing 737 MAX, as well as the dramatic drop in air travel related to the COVID-19 pandemic. Decreases in both QuickLabel and Trojan Label printer sales in the PI segment, which were impacted by travel and trade show restrictions, also contributed to the overall decline in hardware as sales from our new Trojan Three OPX printer were more than offset by declines in sales of QuickLabel's QL-120, QL-300 and QL-800 and Trojan Label's T2-Compact family of printers.

Supplies revenue in the current quarter was \$19.1 million, a 3.1% decrease from the prior year's first quarter supplies revenue of \$19.7 million. The decrease in the current quarter supplies revenue as compared to the first quarter of the prior year is primarily attributable to a decrease in supplies revenue under the Honeywell Agreement. Also contributing to the current quarter decline in supplies revenue was the decrease in ink jet supplies in the Product Identification segment due to a decline in sales to a key Asian customer. The decrease in supplies revenue for the current quarter was slightly offset by an increase in TrojanLabel product supplies revenue and certain categories of QuickLabel supplies within the Product Identification segment.

Service and other revenue was \$2.9 million in the current quarter, an 18.4% decrease from the prior year first quarter revenue of \$3.5 million. The current quarter decrease is primarily due to lower parts and repair revenue related to the AstroNova aerospace printer product lines in the T&M segment and parts revenue in the QuickLabel product line in the PI segment.

Current year first quarter gross profit was \$10.9 million, a 23.8% decrease compared to the prior year first quarter gross profit of \$14.2 million. Our current quarter gross profit margin of 35.1% reflects a 430-basis point decline from the prior year's first quarter gross profit margin of 39.4%. The lower gross profit and related profit margin for the current quarter compared to the prior year's first quarter is primarily attributable to decreased revenue and unfavorable product mix in both the PI and T&M segments.

Operating expenses for the current quarter were \$10.2 million, a 13.4% decrease compared to the prior year first quarter operating expenses of \$11.8 million. Specifically, current quarter selling and marketing expenses were \$5.9 million, a 12.4% decrease compared to \$6.8 million in the first quarter of the prior year. The decline was primarily due to decreases in the current year in travel and entertainment, advertising and trade show expenditures, as well as decreases in employee benefit expenditures. General and administrative expenses for the current quarter were \$2.3 million, a 22.4% decrease as compared to \$3.0 million in the prior year first quarter. The decline in current quarter general and administrative expenses was primarily due to decreases in professional fees, travel and entertainment and employee benefit expenditures, slightly offset by an increase in outside services and an allowance for doubtful accounts, which was partially driven by customer collection concerns stemming from COVID-19. Research and development ("R&D") expenses of \$1.9 million declined 3.3% from the first quarter of the prior year R&D expenses of \$2.0 million. R&D spending as a percentage of revenue for the current quarter of 6.3% increased as compared to 5.5% of revenue in the same period of the prior year.

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Other expense in the first quarter of fiscal 2021 was \$0.3 million, compared to other expense of \$0.4 million for the first quarter of the prior year. Current quarter other expense primarily includes interest expense on our debt and revolving line of credit of \$0.2 million, net foreign exchange loss of \$0.2 million, offset by other income of \$0.1 million. Other expense for the first quarter of fiscal 2019 consisted primarily of interest expense on debt of \$0.2 million and net foreign exchange loss of \$0.2 million.

The benefit for federal, state and foreign income taxes for the first quarter of the current year is \$0.1 million, resulting in an effective tax rate of negative 37.6%. This rate was impacted by a reduction in internally forecasted operating results for our fiscal 2021 and a \$78 thousand tax benefit related to the expiration of the statute of limitations on previously uncertain tax positions. This compares to the prior year's first quarter tax provision of \$0.4 million, which reflected a \$53 thousand benefit related to the expiration of the statute of limitations on a previously uncertain tax position, and a \$97 thousand windfall tax benefit related to our stock, represented and representing an effective tax rate of 19.0%.

The Company reported net income of \$0.4 million or \$0.06 per diluted share for the first quarter of the current year. On a comparable basis, net income for the prior year's first quarter was \$1.7 million or \$0.23 per diluted share. Return on revenue was 1.4% for the first quarter of fiscal 2021 compared to 4.7% for the first quarter of fiscal 2020.

### Segment Analysis

We report two segments: Product Identification and Test & Measurement and evaluate segment performance based on the segment profit before corporate and financial administration expenses. Summarized below are the Revenue and Segment Operating Profit (Loss) for each reporting segment:

(In thousands)	Three Months Ended			
	Revenue		Segment Operating Profit (Loss)	
	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Product Identification	\$22,380	\$23,591	\$ 3,146	\$ 2,886
T&M	8,539	12,590	(156)	2,581
Total	<u>\$30,919</u>	<u>\$36,181</u>	2,990	5,467
Corporate Expenses			2,327	2,999
Operating Income			663	2,468
Other Expense, Net			(349)	(368)
Income Before Income Taxes			314	2,100
Income Tax (Benefit) Provision			(118)	400
Net Income			<u>\$ 432</u>	<u>\$ 1,700</u>

### Product Identification

Total current quarter revenue from the Product Identification segment of \$22.4 million decreased 5.1% compared to the same period of the prior year. The current quarter decline in revenue is primarily due to decreases in hardware and supplies revenue within the QuickLabel product group as well as a decline in hardware revenue in the TrojanLabel product group. The decline in QuickLabel revenue for the current quarter was primarily due to a decline in ink jet supply sales for a key Asian customer, as well as lower hardware sales impacted by travel and tradeshow restrictions as a result of the COVID-19 pandemic. The current quarter decline in revenue was partially offset by increased sales of TrojanLabel product supplies and QuickLabel media supplies. Product Identification's current quarter segment operating profit was \$3.1 million, reflecting a profit margin of 14.1%. This compares to the prior year's first quarter segment profit of \$2.9 million and related profit margin of 12.2%. Despite the decrease in revenue, Product Identification current year first quarter segment operating profit and margin increased compared to prior year primarily due to lower operating costs.

Test & Measurement—T&M

Revenue from the T&M segment was \$8.5 million for the first quarter of the current fiscal year, a 32.2% decrease compared to revenue of \$12.6 million for the same period in the prior year. The decrease in revenue for the current year is primarily attributable to the decline in sales of our aerospace product lines as a result of the Boeing 737 MAX grounding and the dramatic drop in air travel due to the impact of COVID-19. Also contributing to the decline in revenue for this segment were decreased hardware product sales for T&M data recorders and AstroNova aerospace products for programs other than the 737 MAX as a result of the drop in air travel due to the impact of COVID-19. The T&M segment also experienced a decrease in supplies and parts revenue in the aerospace product line in the current quarter. T&M's first quarter segment operating loss was \$0.2 million resulting in a negative 1.8% profit margin compared to the prior year segment operating profit of \$2.6 million and related operating margin of 20.5%. Although operating costs were reduced, the decrease in sales and related product mix resulted in lower segment operating profit and related margin for the current period.

**Financial Condition and Liquidity**

Overview

Historically, our primary sources of short-term liquidity have been cash generated from operating activities and borrowings under our revolving credit facility. These sources have also funded a portion of our capital expenditures and contractual contingent consideration obligations. We have funded acquisitions by borrowing under bank term loan facilities. However, as the result of the decline in demand for our products, especially with respect to the 737 MAX specifically and in the aerospace market more generally as the result of the COVID-19 pandemic, it is likely that we will have to rely more heavily on external financing sources to meet our operating and capital needs until market conditions allow for our earnings and cash flow generation capabilities to improve or we are able to reduce costs sufficiently to generate more earnings and cash flow.

Conditions have deteriorated in the credit markets generally and in the bank financing market specifically, and the availability of credit has been reduced as a result of lending institutions taking a more conservative posture in response to the risks introduced by the COVID-19 pandemic. Because of the deterioration of our financial condition due to the decline in 737 MAX-related revenue and COVID-19 impacts, our first quarter operating results caused us to violate a financial covenant in our Credit Agreement with Bank of America. Specifically, under the terms of our current Credit Agreement we are obligated to maintain, as of the end of each fiscal quarter, a minimum EBITDA (as defined in the agreement) of \$9.5 million on a trailing twelve-months basis and a maximum consolidated leverage ratio of 3.0 to 1.0. Our actual EBITDA was below the required level for the period ended May 2, 2020. However, on June 22, 2020, we entered into a letter agreement with Bank of America, N.A. (the "Letter Agreement"), wherein Bank of America agreed to waive compliance with both of those financial covenants for the measurement period ended May 2, 2020. The Letter Agreement requires us to have, as of June 30, 2020, consolidated EBITDA of not less than \$9.5 million on a trailing twelve-months basis, and to report our compliance with such covenant on or before August 15, 2020. The Letter Agreement provides that such covenant will not be tested until August 15, 2020 and we do not expect to be in compliance with the covenants at the time, hence constituting an immediate event of default under the Credit Agreement. However, we and Bank of America are actively negotiating the terms of an amendment to restructure the Credit Agreement that would provide for mutually acceptable revised financial and operational covenants and other mutually acceptable revised terms and we both fully expect that amendment to be executed prior to August 15, 2020. The effect of the Letter Agreement therefore is to give both parties sufficient time to complete the relevant documentation and also enable us to execute the amendment by that deadline.

If for any reason we are unable to reach agreement with Bank of America on the restructuring of the Credit Agreement or secure alternative financing on acceptable terms prior to August 15, 2020, and the Letter Agreement were not extended or otherwise modified to eliminate any failure by us to comply with its terms or the terms of the Credit Agreement, Bank of America would have the right to declare a default, accelerate all of our outstanding indebtedness under the Credit Agreement and demand payment thereof, which demand we would be unable to satisfy. In addition, any default under the Credit Agreement that would permit Bank of America to accelerate the repayment of the indebtedness outstanding under that facility would also constitute a default under the PPP Loan and cause the indebtedness outstanding thereunder to become immediately payable. If any of the foregoing were to occur, it would have a material adverse impact on us.

Under the terms of the Letter Agreement, we are also not permitted to request any additional borrowings under the revolving line of credit through August 15, 2020, and we will not be permitted to request any such additional borrowings thereafter unless we are in compliance with the Credit Agreement. The Letter Agreement also prohibits us from making any dividend or stock repurchase payments or other restricted payments through August 15, 2020, and we will be permitted to make restricted payments thereafter only in compliance with the Credit Agreement.

During the first quarter of the current year, we borrowed an additional \$5.0 million on our revolving credit facility, and at May 2, 2020 we had \$11.5 million of borrowings outstanding under that facility. On May 2, 2020, our cash and cash equivalents were \$11.1 million and at that date we had \$6.0 million remaining available for borrowing under our revolving credit facility. Pursuant to the terms of the Fourth Amendment to the Credit Agreement, which we and Bank of America entered into in December 2019, the aggregate amount available for borrowings under the revolving line of credit will decrease to \$10.0 million at the end of the third quarter of fiscal 2021. Pursuant to the Letter Agreement, we are not permitted to request any additional borrowings under the revolving line of credit through August 15, 2020.

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On May 6, 2020, we entered into a Loan Agreement with and executed a promissory note in favor of Greenwood Credit Union (“Greenwood”) pursuant to which we borrowed \$4.4 million (the “PPP Loan”) from Greenwood pursuant to the Paycheck Protection Program (the “PPP”) administered by the United States Small Business Administration (the “SBA”) and authorized by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020.

The terms of the PPP Loan were subsequently revised in accordance with the provisions of the Paycheck Protection Flexibility Act of 2020 (the “PPP Flexibility Act”), which was enacted on June 5, 2020.

The PPP Loan, which will mature on the fifth anniversary of the date on which we submit our request for forgiveness with respect to the PPP Loan, is unsecured and bears interest at a rate of 1.0% per annum. The PPP Loan may be prepaid at any time without penalty. The Loan Agreement and Promissory Note include customary provisions for a loan of this type, including prohibitions on our payment of dividends or repurchase of shares of our stock while the PPP Loan remains outstanding and events of default relating to, among other things, payment defaults, breaches of the provisions of the Loan Agreement or the Promissory Note and cross-defaults on other loans.

Subject to the limitations and conditions set forth in the CARES Act, the PPP Flexibility Act and the regulations and guidance provided by the SBA with respect to the PPP, a portion of the PPP Loan in an amount up to the amount of the PPP Loan proceeds we spend on payroll, rent, utilities and interest on certain debt during the twenty-four week period following incurrence of the PPP Loan may be forgiven under the PPP. The amount of the PPP Loan to be forgiven in respect of rent, utilities and interest on certain debt will be capped at 40% of the forgiven amount, with the remaining forgiven amount allocated to payroll costs. We intend to apply for forgiveness of the PPP Loan. However, no assurance can be provided that all or any portion of the PPP Loan will be forgiven.

As a result of the impact of the COVID-19 pandemic, our customers may also experience liquidity pressure and be unable to pay us for products on a timely basis. During the first quarter we experienced a limited number of cases in which certain of our aerospace customers failed to pay us on a timely basis and we increased our reserves for potential losses on those accounts. We also wrote off a small receivable from an airline that has declared bankruptcy. If the impact of the COVID-19 crisis continues for a prolonged period of time or worsens, we may experience further similar, but more material adverse impacts on our results and financial condition.

Our backlog decreased 2.8% from year-end to \$25.9 million at the end of the first quarter of fiscal 2021.

### Indebtedness

We and our wholly owned Danish subsidiaries, ANI ApS and TrojanLabel ApS (collectively, the “Parties”), are parties to a credit agreement (“Credit Agreement”) with Bank of America, N.A. The Credit Agreement and its subsequent amendments through fiscal 2019 provided for a secured credit facility consisting of a term loan to ANI ApS in the principal amount of \$9.2 million, a term loan to us in the principal amount of \$15.0 million and a \$10.0 million revolving credit facility. On December 9, 2019, the Parties entered into a Fourth Amendment (the “Fourth Amendment”) to the Credit Agreement. The Fourth Amendment amended the Credit Agreement to, among other things, (i) increase the aggregate amount available to us for borrowings under the revolving line of credit from \$10.0 million to \$17.5 million through the third quarter of fiscal 2021 and (ii) modify the financial covenants with which we must comply thereunder by excluding certain capital expenditures from the calculation of our consolidated fixed charge coverage ratio, providing that the minimum consolidated fixed charge coverage ratio covenant will be suspended through the second quarter of fiscal 2021, and adding a minimum consolidated EBITDA covenant commencing with the fourth quarter of fiscal 2020 and continuing through the second quarter of fiscal 2021.

See Note 17 of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of the letter agreement we entered into with Bank of America on June 22, 2020, which, among other things, suspends our access to the revolving line of credit under the Credit Agreement on the terms described therein.

Both term loans bear interest at a rate per annum equal to the LIBOR rate plus a margin that varies within a range of 1.0% to 1.5% based on our consolidated leverage ratio.

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In connection with our entry into the Credit Agreement, ANI ApS entered into a hedging agreement to manage the variable interest rate risk and currency risk associated with its payments in respect to the term loan. Under this combined arrangement, payments of principal and interest with respect to approximately \$8.9 million of the principal of the term loan will be made in Danish Kroner, and interest on such principal amount will be payable at a fixed rate of 0.67% per annum for the entire term, subject only to potential changes based on our consolidated leverage ratio. Additionally, we entered into a hedging agreement to manage the variable interest rate risk associated with our payments with respect to the \$15.0 million term loan. Under this combined arrangement, interest will be payable at a fixed rate of 2.04% per annum for the entire term, plus an incremental margin of 1.0% to 1.5%, based on our consolidated leverage ratio.

Revolving credit loans may be borrowed, at our option, in U.S. Dollars or, subject to certain conditions, Euros, British Pounds, Canadian Dollars or Danish Kroner. Amounts borrowed under the revolving credit facility bear interest at a rate *per annum* equal to, at our option, either (a) the LIBOR rate (or, in the case of revolving credit loans denominated in a currency other than U.S. Dollars, the applicable quoted rate), plus a margin that varies within a range of 1.0% to 1.5% based on our consolidated leverage ratio, or (b) a fluctuating reference rate equal to the highest of (i) the federal funds' rate plus 0.50%, (ii) Bank of America's publicly announced prime rate or (iii) the LIBOR rate plus 1.00%, plus a margin that varies within a range of 0.0% to 0.5% based on our consolidated leverage ratio. We are required to pay a commitment fee on the undrawn portion of the revolving credit facility at the rate of 0.25% *per annum*. Outstanding borrowings under the revolving credit line during fiscal 2020 bear interest at a weighted average annual rate of 2.52% and we paid \$73,000 of interest expense for revolving credit line borrowings for the three months ended May 2, 2020.

The obligations of ANI ApS in respect of the \$9.2 million term loan are guaranteed by us and TrojanLabel ApS. Our obligations in respect of the \$15.0 million term loan, revolving credit facility and its guarantee in respect of the ANI ApS term loan are secured by substantially all of our assets (including a pledge of a portion of the equity interests we hold in ANI ApS and our wholly owned German subsidiary, AstroNova GmbH), subject to certain exceptions.

The Lender is entitled to accelerate repayment of the loans and to terminate its revolving credit commitment under the Credit Agreement upon the occurrence of any of various customary events of default.

The Parties must comply with various customary financial and non-financial covenants under the Credit Agreement.

We would not comply with certain financial covenants in the amended Credit Agreement if Bank of America had not agreed to waive compliance with those covenants pursuant to the Letter Agreement we entered into with Bank of America on June 22, 2020. We and Bank of America are actively negotiating the terms of an amendment to restructure the Credit Agreement that would provide for mutually acceptable revised financial and operational covenants and other mutually acceptable revised terms; however, no assurance can be given that we will succeed in this effort. If we are successful in negotiating the terms of this amendment, we expect the amended Credit Agreement to provide for, among other things, substantial changes to the structure of the credit facility as it relates to the loans currently outstanding thereunder that were borrowed by AstroNova, Inc.'s subsidiary TrojanLabel ApS. We expect that all loans under the amended Credit Agreement would be direct obligations of AstroNova, Inc. We also expect that the amended Credit Agreement would prohibit our paying dividends on or repurchasing our capital stock and making certain other restricted payments.

### *Cash Flow*

Our statements of cash flows for the three months ended May 2, 2020 and May 4, 2019 are included on page 8 of this report. Net cash provided by operating activities was \$3.4 million for the first quarter of fiscal 2021 compared to \$1.0 million for the same period of the previous year. The increase in net cash provided by operations for the first three months of the current year is primarily due to the decrease in cash used for working capital. The combination of changes in accounts receivable, inventory, income taxes, accounts payable and accrued expenses provided cash of \$1.2 million for the first three months of fiscal 2021, compared to \$3.1 million of cash used for the same period in fiscal 2020.

Our accounts receivable balance decreased to \$18.5 million at the end of the first quarter compared to \$19.8 million at year end. The \$1.3 million decrease in the accounts receivable balance from year end is directly related to the decrease in sales for the first quarter of the current year. Days sales outstanding for the first quarter of the current year was 54 compared to 55 days at prior year end.

Our inventory balance was \$32.6 million at the end of the first quarter of fiscal 2021, compared to \$33.9 million at year end and inventory days on hand decreased to 146 days at the end of the current quarter from 151 days at year end. The current period decrease in inventory is directly related to a reduction in our forecasted operating results for fiscal 2021 which resulted in lower inventory purchases and lower inventory needed in the Product Identification segment due to the prior year build-up related to the QL-120 printer product.

The net increased cash position at May 2, 2020 primarily resulted from the contribution from cash provided by operations of \$3.4 million, along with the \$5.0 million borrowing under our revolving line of credit. This increase was slightly offset by payments of the guaranteed royalty obligation under the Honeywell Agreement of \$0.5 million, cash used to acquire property, plant and equipment of \$0.6 million, and payment of our quarterly dividend of \$0.5 million.

### **Contractual Obligations, Commitments and Contingencies**

There have been no material changes to our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, other than those which occur in the ordinary course of business.

### **Critical Accounting Policies, Commitments and Certain Other Matters**

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of commitments and contingencies at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting period. We base these estimates and judgments on factors we believe to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The process of determining significant estimates is fact-specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and appraisal techniques. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

While we believe that the factors considered provide a meaningful basis for the accounting policies applied in the preparation of the condensed consolidated financial statements, we cannot guarantee that our estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgment, actual results may differ from those estimates, and such differences may be material to our condensed consolidated financial statements. There have been no material changes to the application of critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020.

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, but rather reflect our current expectations concerning future events and results. We generally use the words “believes,” “expects,” “intends,” “plans,” “anticipates,” “likely,” “continues,” “may,” “will,” and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors which could cause actual results to differ materially from those anticipated include, but are not limited to (a) the impact of the ongoing COVID-19 pandemic on us, our customers, our suppliers and the global economy; (b) general economic, financial and business conditions; (c) declining demand in the test and measurement markets, especially defense and aerospace; (d) competition in the specialty printer industry; (e) our ability to develop and introduce new products and achieve market acceptance of these products; (f) competition in the data acquisition industry; (g) the impact of changes in foreign currency exchange rates on the results of operations; (h) the ability to successfully integrate acquisitions and realize benefits from divestitures; (i) our ability to restructure the terms of our current credit facility and to otherwise manage our indebtedness; (j) our ability to obtain financing for working capital and capital expenditures; (k) the business abilities and judgment of personnel and changes in business strategy; (l) the efficacy of research and development investments to develop new products; (m) the launching of significant new products which could result in unanticipated expenses; (n) bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in our supply chain or difficulty in collecting amounts owed by such customers; (o) any technology disruption or delay in implementing new technology; (p) a material security breach or cybersecurity attack impacting our business and our relationship with customers and (q) other risks included under “Item 1A-Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020. We assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

During the three months ended May 2, 2020, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended January 31, 2020.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to have materially affected, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our non-production employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation with respect to our internal controls to minimize the potential impact on their design and operational effectiveness.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

There are no pending or threatened legal proceedings against us that we believe to be material to our financial position or results of operations.

**Item 1A. Risk Factors**

This section augments and updates certain risk factors disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended January 31, 2020 (the “Annual Report”). We are providing the following information regarding changes that have occurred to the previously disclosed risk factors in our Annual Report on Form 10-K. In addition to the other information in this Quarterly Report on Form 10-Q, all risk factors should be carefully considered in evaluating us and our common stock. Any of these risks, many of which are beyond our control, could materially and adversely affect our financial condition, results of operations or cash flows, or cause our actual results to differ materially from those projected in any forward-looking statements. We may also face other risks and uncertainties that are not presently known, are not currently believed to be material, or are not identified below because they are common to all businesses. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. For more information, see “Forward-Looking Statements” elsewhere in this Quarterly Report.

***The ongoing COVID-19 pandemic has adversely affected and will likely continue to adversely affect our revenues, results of operations and financial condition.***

Our business has been and will likely continue to be materially adversely affected by the widespread outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus known as COVID-19. COVID-19 has been declared by the World Health Organization to be a “pandemic” and has spread to many of the countries in which we, our customers, our suppliers and our other business partners do business. National, state and local governments in affected regions have implemented and may continue to implement safety precautions, including quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures. Other organizations and individuals are taking additional steps to avoid or reduce infection, including limiting travel and staying home from work. These measures are disrupting normal business operations both inside and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide.

We continue to monitor our operations and government recommendations and have made modifications to our normal operations because of the COVID-19 outbreak, including requiring most non-production related team members to work remotely. We have maintained a substantial portion of our manufacturing operational capacity at our manufacturing facilities located in West Warwick, Rhode Island, as well as our manufacturing facilities in Canada and Germany, at this time, and we have instituted heightened cleaning and sanitization standards and several health and safety protocols and procedures to safeguard our team members. However, we have experienced a number of adverse impacts as a result of the COVID-19 outbreak, including reductions in demand for our products, delays and cancellations of orders for our products, difficulties in obtaining raw materials and components for our products, shortages of labor to manufacture our products, inefficiencies caused by remote workers’ difficulties in performing their normal work outputs, closures of the facilities of some of our suppliers and customers, and delays in collecting accounts receivable.

While it is not possible at this time to estimate the full scope of the impact that COVID-19 will have on our business, customers, suppliers or other business partners, we expect that the continued spread of COVID-19, the measures taken by the governments of affected countries, actions taken to protect employees, and the impact of the pandemic on all business activities to further adversely impact our operational capacity and the efficiency of our team members and will continue to materially adversely affect our results of operations and financial condition.

The adverse effect of COVID-19 on our business has negatively impacted our ability to comply with the covenants governing our credit facility, and disruptions in the credit and capital markets as a result of COVID-19 have and may continue to adversely affect the terms on which we are able to obtain new financing.

The aerospace industry, which we serve through our aerospace product line, has been significantly disrupted by the COVID-19 outbreak, both inside and outside of the United States. The decline in air travel has had and will continue to have a material adverse impact on our financial results, the ultimate scope of which we cannot estimate at this time. Should one or more of our airplane OEM manufacturing customers or a significant number of airline customers fail to continue business as a going concern, declare bankruptcy, or otherwise reduce the demand for our products as a result of the impact of the COVID-19 pandemic, it would have a material adverse impact on our business operations and financial results.

***If we are unable to successfully negotiate an amendment to our credit agreement with Bank of America or secure alternative financing, our business and financial condition could be materially adversely affected.***

Our credit agreement with Bank of America requires us, among other things, to satisfy certain financial ratios and conditions on an ongoing basis. Specifically, we are required to maintain minimum EBITDA (as defined in the credit agreement) of \$9.5 million on a trailing twelve-months basis and our consolidated leverage ratio is not permitted to exceed 3.0 to 1.0, in each case as of the end of each fiscal quarter. Our actual EBITDA dropped below the required level for such period ended May 2, 2020, primarily as a result of the declines in our revenue attributable to the reduced demand for aircraft cockpit printers for the Boeing 737 MAX aircraft and the reduced demand for aircraft driven by the global reduction in air travel caused by the COVID-19 outbreak. While we entered into a Letter Agreement with Bank of America on June 22, 2020 that, among other things, waived our noncompliance with the financial covenants in the credit agreement noted above for the measurement period ending May 2, 2020, the Letter Agreement requires us to have, as of June 30, 2020, a consolidated EBITDA of not less than \$9.5 million on a trailing twelve month basis, and to report our compliance with such additional covenant on or before August 15, 2020. While we and Bank of America have agreed in the Letter Agreement that this additional covenant will not be tested until August 15, 2020, we do not expect to comply with this additional covenant when it is tested. If an event of default occurs with respect to our obligations under the credit agreement, Bank of America is entitled to declare all of our outstanding borrowings under the credit agreement immediately due and payable. In addition, the loan agreement governing our PPP Loan includes a cross-default provision whereby a default under other debt facilities could result in a default and acceleration of our repayment obligations under the PPP Loan. While we are actively negotiating an amendment to restructure the terms of our credit agreement with Bank of America, there can be no assurance that we will be able to successfully complete such amendment or secure alternative financing on acceptable terms or at all. If we are unable to renegotiate the terms of our credit agreement or secure alternative financing and Bank of America declares our outstanding borrowings immediately due and payable, we would be unable to satisfy that demand. If that occurred it would have a material adverse impact on us.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the first quarter of fiscal 2021, we made the following repurchases of our common stock:

	<u>Total Number of Shares Repurchased</u>	<u>Average Price paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares That May Be Purchased Under the Plans or Programs</u>
February 1 – February 29	—	—	—	—
March 1 – March 31	5,570(a)(b)	6.92(a)(b)	—	—
April 1 – April 30	—	—	—	—

- (a) An executive of the Company delivered 402 shares of the Company's common stock toward the satisfaction of taxes due with respect to vesting of restricted shares. The shares delivered were valued at a weighted-average market value of \$9.38 per share and are included with treasury stock in the consolidated balance sheet. These transactions were not part of a publicly announced purchase plan or program.
- (b) Executives of the Company delivered 5,168 shares of the Company's common stock toward the satisfaction of taxes due with respect to vesting of restricted shares. The shares delivered were valued at a weighted-average market value of \$6.73 per share and are included with treasury stock in the consolidated balance sheet. These transactions were not part of a publicly announced purchase plan or program.

**Item 5. Other Information**

We are providing the following information under this Item 5 in lieu of reporting the information under Item 1.01, “Entry Into a Material Definitive Agreement,” of a Current Report on Form 8-K with a due date on or after the date hereof:

On June 22, 2020, we entered into a Letter Agreement with Bank of America, N.A. relating to the testing of certain financial covenants included in the credit agreement dated as of February 28, 2017 between us, our wholly owned Danish subsidiaries, ANI ApS and TrojanLabel ApS and Bank of America, as amended to date. Pursuant to that agreement, Bank of America has agreed to waive the testing of the financial covenants set forth in the credit agreement related to our consolidated leverage ratio and consolidated EBITDA (as defined in the credit agreement) for the measurement period ending May 2, 2020. The Letter Agreement requires us to have, as of June 30, 2020, a consolidated EBITDA of not less than \$9.5 million on a trailing twelve-months basis, and to report our compliance with such requirement on or before August 15, 2020. The Letter Agreement provides that such covenant will not be tested until August 15, 2020. Under the terms of the Letter Agreement we are not permitted to request any additional borrowings under the revolving line of credit under the credit agreement through August 15, 2020, and we will not be permitted to request any such additional borrowings thereafter unless we are in compliance with the credit agreement. The Letter Agreement also prohibits us from making any dividend or stock repurchase payments or other restricted payments through August 15, 2020, and we will be permitted to make restricted payments thereafter only in compliance with the credit agreement.

The description of the Letter Agreement is qualified in its entirety by reference to the full text of the Letter Agreement, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

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**Item 6. Exhibits**

- 3A [Restated Articles of Incorporation of the Company and all amendments thereto, filed as Exhibit 3A to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2016 and incorporated by reference herein.](#)
- 3B [By-laws of the Company as amended to date, filed as Exhibit 3B to the Company's Annual Report on Form 10-K/A for the fiscal year ended January 31, 2008 \(File no. 000-13200\) and incorporated by reference herein.](#)
- 10.1 [Loan Agreement effective as of May 6, 2020, by and between Astronova, Inc. and Greenwood Credit Union.](#)
- 10.2 [Promissory Note dated May 6, 2020, by and between Astronova, Inc. and Greenwood Credit Union.](#)
- 10.3 [Letter of Agreement dated June 22, 2020 between AstroNova, Inc. and Bank of America, N.A.](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from Registrant's Quarterly Report on Form 10-Q for the period ended May 2, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to the Condensed Consolidated Financial Statements. Filed electronically herein.

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.

Date: June 26, 2020

**ASTRONOVA, INC.**  
**(Registrant)**

By /s/ Gregory A. Woods

Gregory A. Woods,  
President and Chief Executive Officer  
(Principal Executive Officer)

By /s/ David S. Smith

David S. Smith,  
Vice President, Chief Financial Officer and Treasurer (Principal  
Accounting Officer and Principal Financial Officer)

**LOAN AGREEMENT**

THIS LOAN AGREEMENT (this “Agreement”) is made effective as of the date set forth below by and between **ASTRONOVA, INC.**, a Rhode Island Corporation with an address of 600 East Greenwich Avenue, West Warwick, Rhode Island, 02893-7526 (the “Borrower”) and **Greenwood Credit Union**, 2669 Post Road, Warwick, Rhode Island 02886, (the “Lender”).

**RECITALS:**

A. Pursuant to the terms of that certain Authorization issued by the U.S. Small Business Administration (“SBA”) to Lender bearing SBA Loan No. 34900072-07 and dated April 27, 2020, as may be amended, (the “Authorization”), which Authorization is hereby incorporated herein by reference and made a part hereof, Borrower desires to borrow, and Lender desires to lend, that certain Four Million Four Hundred Twenty Two Thousand and no/1 00 Dollars (\$4,422,000.00) loan facility (the “Loan”) pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) (the “Paycheck Protection Program Rule”).

B. SBA has authorized a guaranty of the Loan.

**AGREEMENT:**

NOW THEREFORE, in consideration of the mutual promises set forth in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

**I. GENERAL TERMS**

**Section 1.1. Term Loan.** The Borrower agrees to borrow from the Lender the principal sum of Four Million Four Hundred Twenty Two Thousand and no/1 00 Dollars (\$4,422,000.00) (the “Loan”), and the Lender has agreed to make the Loan to the Borrower, subject to all the terms and conditions of this Agreement.

**Section 1.2. Note.** The Term Loan shall be evidenced by the Borrower’s **Four Million Four Hundred Twenty Two Thousand and no/100 Dollars (\$4,422,000.00)** Promissory Note (the “Note”), which Note is hereby incorporated herein by reference and made a part hereof.

**Section 1.3. Use of Proceeds.** The proceeds of the Loan shall be applied by the Borrower for the purposes authorized by the Authorization, the Paycheck Protection Program Rule, and the CARES Act including, but not limited to, Payroll Costs (as that term is defined by the Paycheck Protection Program Rule); continuation of group health care benefits during periods of paid sick, medical, or family leave, or insurance premiums; salaries or commissions or similar compensation; interest on mortgage obligations; rent; utilities; interest on other outstanding debt incurred before February 15, 2020; and refinancing an SBA Economic Injury Disaster Loan made between January 31, 2020 and April 3, 2020.

**II. REPRESENTATIONS AND WARRANTIES**

In order to induce the Lender to enter into the Loan, Borrower represents and warrants to the Lender (which representations and warranties shall survive the delivery of the Note and the making of the Loan) that:

**Section 2.1.** The Borrower has heretofore furnished to the Lender certain financial information about the Borrower including, but not limited to, in that certain Paycheck Protection Program Borrower Application Form (the “Application”), which Application is hereby incorporated herein by reference and made a part hereof. Said financial information and Application may include tax returns and/or financial

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statements which have been prepared in accordance with United States generally accepted principles of accounting (“GAAP”), and such other financial information, that, if provided, are complete and correct and fairly present the financial condition of the Borrower as at said date (collectively the “Current Financial Statements”). To the best of the Borrower’s knowledge and belief, the Borrower has no contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as set forth in the Current Financial Statements. Borrower further certifies that the information provided in the Application and the information provided in all supporting documents and forms is true and accurate in all material respects. Borrower understands that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

Section 2.2. The Borrower (a) is duly organized, validly existing and in good standing under the laws of its state of incorporation, organization, or formation (b) has the power to carry on business as it is now being conducted and is to the best of its knowledge qualified to do business in every jurisdiction where such qualification is necessary and (c) has the power to execute and deliver, and perform its obligations under this Agreement and the Note.

Section 2.3. The execution and delivery and performance by the Borrower of its obligations under this Agreement and the Note have been duly authorized by all requisite action and to the best of Borrower’s knowledge and belief will not violate any provision of law, any order of any court or other agency of government, the articles of incorporation, articles of organization, partnership agreement, trust agreement, by-laws, or operating agreement (as applicable) of the Borrower or any indenture, agreement or other instrument to which it is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or instrument. The Borrower is not required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement or the Note.

Section 2.4. There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower that, if adversely determined, could reasonably be expected to have a material adverse effect on the business, operations, properties, assets or condition, financial or otherwise, of the Borrower.

Section 2.5. To the best of Borrower’s knowledge and belief, no statement of fact made by or on behalf of the Borrower in this Agreement, the Application or in any certificate or schedule furnished to the Lender pursuant hereto contains any untrue statement of fact or omits to state any fact necessary to make statements contained therein or herein not misleading.

Section 2.6. The Borrower is not an “investment company”, or a company “controlled” by an “investment company”, as such terms are defined in the Investment Company Act of 1940, as amended.

Section 2.7. The Borrower, and each subsidiary or affiliate of Borrower, is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), all as it may be amended from time to time.

Section 2.8. The name of the Borrower printed on the signature page hereof is the correct and proper name of the Borrower as set forth in its public organic record.

Section 2.9. To the best of Borrower's knowledge, as of the date hereof and at all times throughout the term of the Loan, including after giving effect to any transfers of interests permitted pursuant hereto, (a) none of the funds or other assets of the Borrower constitute property of, or are beneficially owned, directly or indirectly, by any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. I et seq., and any Executive Orders or regulations promulgated thereunder with the result that the investment in the Borrower (whether directly or indirectly), is prohibited by law or the Loan made by the Lender is in violation of law (an "Embargoed Person"); (b) no Embargoed Person has any interest of any nature whatsoever in the Borrower with the result that the investment in the Borrower (whether directly or indirectly), is prohibited by law or the Loan is in violation of law; and (c) none of the funds of the Borrower have been derived from any unlawful activity with the result that the investment in the Borrower (whether directly or indirectly), is prohibited by law or the Loan is in violation of law.

Section 2.10. The Loan is for a BUSINESS OR COMMERCIAL PURPOSE and that no portion of the proceeds of the Loan will be used for household, personal or non-business purposes. Borrower acknowledges that, because the Loan is entered into for a BUSINESS OR COMMERCIAL PURPOSE, Borrower is not entitled to and will not receive certain disclosures with respect to consumer credit transactions required under State and Federal Truth-in-Lending law provisions for the benefit of consumers.

Section 2.11. Current economic uncertainty makes this Loan necessary to support the ongoing operations of the Borrower and the funds will be used for the purposes set forth in Section 1.3 as authorized by, and according to the terms and conditions of, the Authorization, the Paycheck Protection Program Rule, and the CARES Act including, but not limited to, retaining workers and maintaining payroll or making mortgage interest payments, lease payments, and utility payments. Borrower understands that, if the funds are knowingly used for unauthorized purposes, the federal government may hold the Borrower legally liable such as for charges of fraud. Borrower warrants that not more than twenty-five percent (25%) of Loan proceeds may be used for non-Payroll Costs.

Section 2.12. The Borrower was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.

Section 2.13. At least seventy-five percent (75%) of the Loan proceeds shall be used for Payroll Costs.

Section 2.14. Any loan received by Borrower under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying Payroll Costs and other allowable uses loans under the Paycheck Protection Program Rule. During the period beginning on February 15, 2020 and ending on December 31, 2020, Borrower has not and will not receive another loan under the Paycheck Protection Program Rule.

Section 2.15. Borrower understands and agrees that any Loan forgiveness will be provided for the sum of documented Payroll Costs, covered mortgage interest payments, covered rent payments, and covered utilities, and that not more than twenty-five percent (25%) percent of the forgiven amount may be for non-Payroll Costs. The amount of forgiveness shall be determined solely by the SBA, and Lender shall not be responsible for the accuracy of the information provided by Borrower and makes no representation or warranty with respect thereto. IN NO EVENT SHALL ANY AMOUNTS DUE UNDER THE NOTE BE DEEMED FORGIVEN UNTIL RECEIPT BY LENDER OF ALL FORGIVEN AMOUNTS FROM SBA OR ITS DESIGNEE.

Section 2.16. Borrower, its affiliates and owners of at least 203/ot have not been within the past tl lree years: (a) debarred, suspended, declared ineligible or voluntarily excluded from participation in a transaction by any Federal Agency; (b) formally proposed for debarment, with a final determination still pending; (c) indicted, convicted, or had a civil judgment for any of the offenses listed in the regulations or (d) delinquent on any amounts owed to the U.S. Government or its instrumentalities as of the date of execution of this certification.

Section 2.17. Borrower acknowledge receipt of an SBA Equal Opportunity Poster agrees to display same where it is clearly visible to employees, applicants for employment and the public.

Section 2.18. Borrower acknowledges that the Lender may confirm the eligible Loan amount using tax documents Borrower has submitted. Borrower affirms that these tax documents are identical to those submitted to the Internal Revenue Service. Borrower also understands, acknowledges, and agrees that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Joan program requirements and all SBA reviews.

Section 2.19. The United States is the principal place of residence for employees included in the Borrower's calculation of Payroll Costs.

Section 2.20. If Borrower operates a franchise, the franchise is listed in the SBA's Franchise Directory

### **III. CONDITIONS OF MAKING THE LOAN**

The obligation of the Lender to make the Loan hereunder and any future advances thereof is subject to the following conditions precedent, in addition to any other reasonable conditions and requirements established by Lender:

Section 3.1. The representations and warranties set forth in Article II hereof shall be true and correct on and as of the date hereof and the date the Loan is made.

Section 3.2. The Borrower shall have executed and/or delivered to the Lender, upon the execution of this Agreement, the following:

- (a) The Note;
- (b) The signer of this Agreement on behalf of the Borrower shall certify that he or she is the Authorized Representative of the Borrower duly authorized, empowered and directed to execute and deliver this Agreement, the Note and any other documents or certificates to be delivered pursuant to this Agreement and the Note;
- (c) The Current Financial Statements of the Borrower as set forth in Section 2.1 hereof;
- (d) Satisfaction of all of the c\_onditions contained in the SBA Authorization; and
- (e) Such other supporting documents and certificates as the Lender or its counsel may reasonably request.

Section 3.3. All legal matters incident to the transactions hereby contemplated shall be reasonably satisfactory to counsel for the Lender.

Section 3.4. No Event of Default as specified in Article VI hereof, nor any event which upon notice or lapse of time or both would constitute such an Event of Default, shall have occurred.

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Section 3.5. The Borrower shall pay for all expenses of the Loan allowable under the Paycheck Protection Program Rule.

Section 3.6. The SBA shall have issued its Authorization to guaranty the Loan.

#### **IV. AFFIRMATIVE COVENANTS**

The Borrower covenants and agrees that, from the date hereof and until payment in full and/or forgiveness of the principal of, and interest on, the Note, the Borrower will:

Section 4.1. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it, except for such failures to be in compliance which could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the financial condition or operation of the Borrower; at all times maintain, preserve and protect all franchises and trade names.

Section 4.2. Comply in all material respects with all applicable laws and regulations, whether now in effect or hereafter enacted or promulgated by any governmental authority having jurisdiction over the Borrower.

Section 4.3. Comply in all material respects with the Authorization, Paycheck Protection Program Rule and CARES Act and any and all obligations, requirements and regulations promulgated thereunder or in connection therewith.

Section 4.4. Promptly furnish to the Lender, from time to time, such information regarding the operations, assets, business, affairs and financial condition of the Borrower as the Lender may reasonably request.

Section 4.5. At reasonable times and with reasonable prior notice, permit Lender or the agents or representatives of the Lender to inspect its books and records and to make abstracts or reproductions thereof as reasonably required by Lender.

Section 4.6. Promptly advise the Lender of any material adverse change in its condition, financial or otherwise, or of the occurrence of any Event of Default by the Borrower of the type described in Article VI hereof, or of the occurrence of any event which upon notice or lapse of time or both would constitute such an Event of Default.

Section 4.7. At any time, from time to time, upon request by the Lender or its agent, fully cooperate with the Lender to (a) correct any defect, error or omission in any document prepared in connection with the Loan, and (b) execute or re-execute of any documents as required by the Lender to ensure that the documentation of the loan conforms to the intent of the parties and the requirements of the Lender's policies. The Borrower further agrees to comply with all such requests by the Lender within thirty (30) days from the date of the mailing of the correction requests by the Lender.

Section 4.8. Provide to Lender documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of Payroll Costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this Loan.

Section 4.9. Display the SBA Equal Opportunity Poster where it is clearly visible to employees, applicants for employment and the public.

## V. NEGATIVE COVENANTS

The Borrower covenants and agrees that, until payment in full of the principal of, and interest on, the Note and any other indebtedness of the Borrower to the Lender, whether now existing or arising hereafter, unless the Lender shall otherwise consent in writing, it will not, directly or indirectly:

Section 5.1. Sell, lease, transfer or otherwise dispose of its rights, licenses and franchises to any person or turn over the management of, or enter a management contract with respect to, such rights, licenses and franchises.

Section 5.2. Dissolve, liquidate, consolidate with or merge with, or convert into any other entity, form a new business entity, transfer to or re-domesticate in any other jurisdiction or make any material change in its executive management, or make or permit a material change in, any legal or beneficial ownership of Borrower.

Section 5.3. Engage, directly or indirectly, in a business substantially different from the business now being conducted.

Section 5.4. Purchase, acquire, redeem or retire, or make any commitment to purchase, acquire, redeem or retire any of the equity interests in the Borrower, whether now or hereafter outstanding.

Section 5.5. Declare or pay any distribution, dividend, or advance of cash or property, or both, to holders of any equity interest in the Borrower, provided that no Event of Default has occurred and is continuing or will result after giving effect to such payment. Borrower shall not make any payment on account of the purchase, acquisition, redemption, or other retirement of any such interest.

Section 5.6. Pay any Loan funds to any person for influencing or attempting to influence any officer or employee of any agency, a Member of Congress, or officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan or cooperative agreement.

Section 5.7. Discriminate on the basis of race, color, religion, national origin, sex, marital status or age in (1) the hiring, retention, or promotion of employees nor in determining their rank, or the compensation or fringe benefits paid them or (2) services or accommodations offered or provided to its employees, clients or guests.

Section 5.8. Apply for or receive another loan under the Paycheck Protection Program Rule during the period beginning as of the date hereof and ending on December 31, 2020.

## VI. DEFAULTS

Section 6.1. In each case of happening of any of the following events (each of which is herein and in the Note sometimes called an “Event of Default”):

- (a) any representation or warranty made herein, or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement, or the borrowing hereunder, shall prove to be false or misleading in any material respect; or

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- (b) default in the payment, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise, of any installment of the principal of, or interest on, the Note or any other indebtedness of the Borrower to the Lender beyond any applicable grace period or deferment granted; or
  - (c) default in the due observance or performance of any covenant, condition or agreement contained in Articles IV or V hereof, in the Note and such default shall continue unremedied for the specified period (after giving effect to any applicable cure period, if any), and if no time period is specified, for twenty (20) days after written notice thereof by the Lender to the Borrower; or
  - (d) default in the due observance or performance of any other covenant, condition or agreement, on the part of the Borrower to be observed or performed pursuant to the terms hereof, or in any other loan executed by the Borrower in favor of the Lender, and such default shall continue unremedied for twenty (20) days after written notice thereof by the Lender to the Borrower; or
  - (e) default in any other loan facilities, or under any other indebtedness of Borrower to the Lender now existing or hereafter arising after the date when the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise (after giving effect to any applicable cure period or deferment granted, if any); or
  - (f) a default with respect to any evidence of indebtedness of the Borrower (other than to the Lender), if such indebtedness is in an amount greater than \$500,000.00, and the effect of such default is to accelerate the maturity of such indebtedness or to permit the holder thereof to cause such indebtedness to become due prior to the stated maturity thereof, or if any indebtedness of the Borrower (other than to the Lender) exceeding the amount of \$500,000.00 is not paid, when due and payable, whether at the due date thereof or a date fixed for prepayment or otherwise (after giving effect to any applicable cure period or deferment granted, if any); or
  - (g) the Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or be the subject of an order for relief under Title 11 of the United States Code or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if corporate action shall be taken for the purpose of effecting any of the foregoing; or
  - (h) an order, judgment or decree shall be entered, without the application, approval or consent of the Borrower by any court of competent jurisdiction, approving a petition seeking reorganization of the Borrower or appointing a receiver, trustee, custodian or liquidator of the Borrower of all or a substantial part of the assets of the Borrower, and such order, judgment or decree shall continue unstayed and in effect for any period of thirty (30) days; or
  - (i) final judgment which is not fully covered by insurance for the payment of money in excess of an aggregate of \$25,000.00 shall be rendered against the Borrower, and the same shall remain undischarged for a period of sixty (60) consecutive days, during which execution shall not be effectively stayed; or

U) dissolution, termination of existence, business failure or cessation of business operations of Borrower, or any material change for any reason whatsoever in the management, majority ownership, or control of Borrower (except for any change previously approved by Lender).

Section 6.2. In every such Event of Default and at any time thereafter during the continuance thereof, the Note and any and all other indebtedness of the Borrower to the Lender, shall immediately become due and payable, both as to principal and interest, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Note or other evidence of such indebtedness to the contrary notwithstanding.

## VII. MISCELLANEOUS

Section 7.1. This Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto, shall survive the making by the Lender of the Loan, the execution and delivery to the Lender of the Note, and shall continue in full force and effect so long as the Note and any other indebtedness of the Borrower to the Lender is outstanding and unpaid. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements in this Agreement contained, by or on behalf of the Borrower, shall inure to the benefit of the respective successors and assigns of the Lender.

Section 7.2. The Borrower will reimburse the Lender upon demand for all reasonable out-of-pocket costs, charges and expenses of the Lender allowable under the Paycheck Protection Program Rule (including reasonable fees and disbursements of counsel to the Lender, which may include, without limitation, allocable cost of the Lender's internal legal counsel) in connection with (i) any amendments, modifications, consents or waivers in respect thereof and (ii) any enforcement and collection thereof.

Section 7.3. This Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Rhode Island.

Section 7.4. This Agreement is intended by the parties as the final, complete and exclusive statement of the transactions evidenced by this Agreement. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superseded by this Agreement, and no party is relying on any promise, agreement or understanding not set forth in this Agreement. This Agreement may not be amended or modified except by a written instrument describing such amendment or modification executed by Borrower and Lender. No notice to, or demand, on the Borrower, in any case, shall entitle the Borrower to any other or future notice or demand in the same, similar or other circumstances.

Section 7.5. Neither any failure nor any delay on the part of the Lender in exercising any right, power or privilege hereunder or under the Note shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or future exercise, or the exercise of any other right, power or privilege.

Section 7.6. Except as otherwise specified in this Agreement, all notices, demands, elections or requests provided for or permitted to be given pursuant to this Agreement (hereinafter "Notice") shall be in writing and shall be deemed to have been properly given or served by personal delivery or by sending same by overnight courier or by depositing same in the United States Mail, postage prepaid and registered or certified, return receipt requested, and addressed to the party to be notified, as appropriate, as set forth in

first paragraph of this Agreement. Each Notice as given above shall be effective upon being personally delivered or upon being sent to overnight courier or upon being deposited in the United State Mail, as aforesaid. However, the time in which response to such Notice must be given or any action taken with respect thereto, if any, shall commence to run from the date of receipt if personally delivered or sent by overnight courier, or, if so deposited in the United States Mail, the earlier of (i) three (3) business days following such deposit or (ii) the date of receipt as disclosed on the return receipt. Rejection or refusal to accept or the inability to deliver because of changed address for which no Notice was given shall be deemed to be receipt of the Notice sent. By giving at least thirty (30) days prior Notice thereof, Borrower or Lender shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses and each shall have the right to specify as its address any other address within the United States.

Section 7.7. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

Section 7.8. THE BORROWER, TO THE EXTENT THAT IT MAY LAWFULLY DO SO, HEREBY CONSENTS TO THE JURISDICTION OF THE COURTS OF THE STATE OF RHODE ISLAND AND THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND, AS WELL AS TO THE JURISDICTION OF ALL COURTS FROM WHICH AN APPEAL MAY BE TAKEN FROM SUCH COURTS, FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF ANY OF ITS OBLIGATIONS ARISING HEREUNDER OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY, AND EXPRESSLY WAIVES ANY AND ALL OBJECTIONS IT MAY HAVE AS TO VENUE IN ANY OF SUCH COURTS.

Section 7.9. The Lender shall not be liable for any claims, demands, losses, or damages made, claimed, or suffered by the Borrower, excepting such as may arise through or could be caused by the Lender's willful misconduct or gross negligence. As consideration for the Loan, the parties agree that the Lender shall not be responsible for any lost profits of the Borrower arising from any breach of contract, tort (excluding the Lender's willful misconduct or gross negligence), or any other wrong arising from the establishment, administration, or collection of the Loan. THE LENDER AND THE BORROWER MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING, CLAIM, OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT, THE NOTE, OR ANY DOCUMENTS RELATED THERETO OR CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN. EXCEPT AS PROHIBITED BY LAW, BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT, OR ATTORNEY OF BORROWER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDER TO ENTER THIS AGREEMENT AND MAKE THE LOAN.

Section 7.10. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 7.11. Any Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. As used in this Agreement, the term “person” shall include any individual, corporation, partnership, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof.

Section 7.12. The Lender shall have the unrestricted right at any time and from time to time, and without the consent of or notice to Borrower, to grant to one or more banks or other financial institutions (each, a “Participant”) participating interests in Lender’s obligations to lend hereunder and/or any or all of the loans held by the Lender hereunder. In the event of any such grant by the Lender of a participating interest to a Participant, whether or not upon notice to Borrower, the Lender shall remain responsible for the performance of its obligations hereunder and Borrower shall continue to deal solely and directly with the Lender in connection with the Lender’s rights and obligations hereunder. The Lender may furnish any information concerning Borrower in its possession-from time to time to prospective Participants, provided that the Lender shall require any such prospective Participant to agree in writing to maintain the confidentiality of such information.

Section 7.13. The Lender may at any time pledge all or any portion of its right under the loan documents including any portion of the Note under Section 701.23 of the Rules and Regulations of the National Credit Union Administration. No such pledge or enforcement thereof shall release the Lender from its Obligations under any of the loan documents

Section 7.14. The Borrower hereby grants to the Lender, a lien, security interest and right of setoff as security for all liabilities and obligations to the Lender, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property of Borrower now or hereafter in the possession, custody, safekeeping or control of the Lender, or any related entity of Lender, its successors or assigns, or in transit to any of them. At any time after an Event of Default, without demand or notice, the Lender may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured. ANY AND ALL RIGHTS TO REQUIRE THE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL THAT SECURES THE LOAN, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Borrower waives, to the fullest extent that it lawfully can, any right it may have to require the Lender to pursue any particular remedy before proceeding against it.

Section 7.15. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note, Borrower will issue, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor.

Section 7.16. All agreements between Borrower and the Lender are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced by the Note or otherwise, shall the amount paid or agreed to be paid to the Lender for the use or the forbearance of the indebtedness evidenced thereby exceed the maximum permissible under applicable law. As used herein, the term “applicable law” shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then the Note shall be governed by such new law as of its effective date. If under or from any circumstances whatsoever the Lender should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between Borrower and the Lender.

Section 7.17. Lender shall have the unrestricted right at any time or from time to time, and without Borrower's consent, to assign all or any portion of its rights and obligations hereunder to one or more banks or other financial institutions (each, an "Assignee"), and Borrower agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Agreement and to any other documents, instruments and agreements executed in connection herewith as Lender shall deem necessary to effect the foregoing. In addition, at the request of Lender and any such Assignee, Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if Lender has retained any of its rights and obligations hereunder following such assignment, to Lender, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by Lender prior to such assignment and shall reflect the amount of the respective commitments and loans held by such Assignee and Lender after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments-and-any other-documentation required by-Lender in connection with such assignment, and the payment by Assignee of the purchase price agreed to by Lender, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of Lender hereunder (and under any and all other documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by Lender pursuant to the assignment documentation between Lender and such Assignee, and Lender shall be released from its obligations hereunder and thereunder to a corresponding extent. Lender may furnish any information concerning Borrower in its possession from time to time to prospective Assignees, provided that Lender shall require any such prospective Assignees to agree in writing to maintain the confidentiality of such information.

Section 7.18. The Lender and the Borrower agree that certain data related to the Loan (including confidential information, documents, applications and reports) may be transmitted electronically, including transmission over the Internet, This data may be transmitted to, received from or circulated among agents and representatives of the Borrower and/or the Lender and their affiliates and other persons involved with the subject matter of this Agreement. The Borrower acknowledges and agrees that (a) there are risks associated with the use of electronic transmission and that the Lender does not control the method of transmittal or service providers, (b) the Lender has no obligation or responsibility whatsoever and assumes no duty or obligation for the security, receipt or third party interception of any such transmission, and (c) the Borrower will release, hold harmless and indemnify the Lender from any claim, damage or loss, including that arising in whole or part from the Lender's strict liability or sole, comparative or contributory negligence, which is related to the electronic transmission of data.

Section 7.19. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), the Lender is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Patriot Act.

Section 7.20. This Agreement may be executed in counterparts and may be signed electronically, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

*[SIGNATURE PAGE IMMEDIATELY FOLLOWING]*

The terms set forth in this Agreement are hereby agreed to by due execution as follows.

**BORROWER:**

The undersigned hereby certifies that he/she is the Authorized Representative of the Borrower duly authorized, empowered and directed, acting independently, to execute and deliver this Agreement, and no further authorization, consent or direction is required from the Borrower or any other party for the execution and/or delivery of the foregoing Agreement and the performance by Borrower of its obligations thereunder.

**ASTRONOVA, INC.**

By: /s/ David S. Smith  
David S. Smith, Authorized Representative

May 6, 2020  
Date

**LENDER:**

**Greenwood Credit Union**

By: /s/ Holly E. Ferrara  
Holly E. Ferrara, Vice President

May 6, 2020  
Date



U.S. Small Business  
Administration

**NOTE**

SBA Loan #	34900072-07
SBA Loan Name	ASTRONOVA, INC.
Date	5/6/2020
Loan Amount	\$4,422,000.00
Interest Rate	1.00% Fixed
Borrower	ASTRONOVA, INC.
Operating Company	N/A
Lender	Greenwood Credit Union

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount of Four Million Four Hundred Twenty Two Thousand and no/100 (\$4,422,000.00) Dollars, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

“Collateral” means any property taken as security for payment of this Note or any guarantee of this Note.

“Guarantor” means each person or entity that signs a guarantee of payment of this Note.

“Loan” means the loan evidenced by this Note.

“Loan Documents” means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.

“SBA” means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

**1. Maturity:** This Note will mature in two (2) years from the date of this Note (the "Maturity Date").

**2. Repayment Terms:** The interest rate on this Note is fixed at 1.00% per annum.

AS OF THE DATE OF THIS NOTE, THE SBA HAS NOT ISSUED THE SPECIFIC PAYMENT TERMS UNDER THIS NOTE PURSUANT TO THE CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT (THE "CARES ACT" OR THE "ACT"). BORROWER AGREES TO MODIFY OR REPLACE THIS NOTE WITH A NEW NOTE AFTER SUCH PAYMENT TERMS HAVE BEEN ISSUED BY THE SBA TO THE EXTENT REQUIRED BY THE SBA OR DEEMED BY LENDER NECESSARY OR APPROPRIATE.

No payments for the first six (6) months following the date of disbursement of the loan are required; however, interest will accrue on the loan during this six (6) month deferment period.

The full principal amount of the loan and any accrued interest thereon may be forgiven in accordance with the terms of the Act. In such case, the Borrower will not be responsible for any loan payment on the portion of the loan that is forgiven if the Borrower uses all of the proceeds of the loan for forgivable purposes described below and maintains employee and compensation levels.

The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreement dated before February 15, 2020, over the eight-week period following the date of the loan. However, not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll costs.

The amount of forgiveness shall be determined solely by the SBA and based upon Borrower's loan forgiveness application and Lender shall not be responsible for the accuracy of the information provided in such application and shall make no representation or warranty with respect thereto. IN NO EVENT SHALL ANY AMOUNTS DUE HEREUNDER BE DEEMED FORGIVEN UNTIL RECEIPT BY LENDER OF ALL FORGIVEN AMOUNTS FROM THE SBA OR ITS DESIGNEE.

To the extent all or any portion of the loan is not forgiven, Borrower shall pay principal and interest relative thereto, in eighteen (18) monthly payments starting six (6) months from the date of this Note and continuing on the same day of each month, with a final payment due on the Maturity Date. Said payments shall be in an amount based upon the portion of principal of the loan that was not forgiven, the interest rate set forth above and an eighteen (18) month amortization period.

In addition to the foregoing, Borrower shall repay deferred interest accrued on unforgiven portions of the principal balance during the first six (6) months of the term of this Note in a lump sum payment due and payable seven (7) months from the date of this Note.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal. All remaining principal and accrued interest is due and payable on the Maturity Date. Borrower acknowledges that Lender does not intend to violate any applicable laws. If, at any time, the rate of interest shall be deemed by any competent court of law, governmental agency or tribunal to exceed the maximum rate of interest permitted by the laws of any applicable jurisdiction or the rules or regulations of any appropriate regulatory authority or agency, then, during such time as such rate of interest would be deemed excessive, that portion of each interest payment attributable to that portion of such interest rate that exceeds the maximum rate of interest so permitted shall be deemed a voluntary prepayment of principal.



**3. Loan Prepayment:** Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay twenty percent (20%) or less of the unpaid principal balance at any time without notice. If Borrower prepays more than twenty percent (20%) and the Loan has been sold on the secondary market, Borrower must:

- a. Give Lender written notice;
- b. Pay all accrued interest; and
- c. If the prepayment is received less than twenty-one (21) days from the date Lender receives the notice, pay an amount equal to twenty-one (21) days' interest from the date Lender receives the notice, less any interest accrued during the twenty-one (21) days and paid under subparagraph b., above.

If Borrower does not prepay within thirty (30) days from the date Lender receives the notice, Borrower must give Lender a new notice.

**4. DEFAULT:**

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

- A. Fails to do anything required by this Note and other Loan Documents;
- B. Defaults on any other loan with Lender;
- C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
- D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
- E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
- F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
- G. Fails to pay any taxes when due;
- H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
- I. Has a receiver or liquidator appointed for any part of their business or property;
- J. Makes an assignment for the benefit of creditors;
- K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
- L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
- M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.



5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

- A. Require immediate payment of all amounts owing under this Note;
- B. Collect all amounts owing from any Borrower or Guarantor;
- C. File suit and obtain judgment;
- D. Take possession of any Collateral; or
- E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

- A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;
- B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
- C. Release anyone obligated to pay this Note;
- D. Compromise, release, renew, extend or substitute any of the Collateral; and
- E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:

Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

- A. All individuals and entities signing this Note are jointly and severally liable.
- B. Borrower waives all suretyship defenses.
- C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.

- D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
- E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
- F. If any part of this Note is unenforceable, all other parts remain in effect.
- G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE-SPECIFIC PROVISIONS:

Lender has no duty to inquire into the capacity or powers of a Borrower or the officers, directors, members, partners, managers, trustees or agents acting or purporting to act on any Borrower's behalf, and any indebtedness made or created in reliance on the professed exercise of such powers shall be guaranteed hereunder, Borrower waives any statute of limitation.

In any proceeding, a copy of this Note is admissible into evidence with the same effect as introduction of the original Note whether or not the original is in existence. Borrower hereby waives (1) any defense based on the loss of possession or control of this Note at any time or in any manner, including by destruction, inability to determine its whereabouts, or wrongful possession or control by an unknown person or by a person that cannot be found or is not amenable to service of process, and (2) any right to adequate protection by reason of a claim by another person to enforce this Note.

Borrower consents to the execution of the foregoing Note by e-signature or e-consent, A signature to this Note delivered by electronic means is deemed to be an original signature.

Lender reserves the rights, without notice to Borrower and without Borrower's consent, to participate out all or part of this Loan or to assign all or part of the obligations hereunder, and give potential assignees and participants such information on Borrower as they may request.

Borrower authorizes Lender to disburse proceeds of this loan into Borrower's general deposit account with Lender.

Subject to the provisions of Paragraph 7, this Note shall be governed by the internal substantive laws of the State of Rhode Island, without regard to conflict of laws principles.

Borrower hereby certifies, represents and warrants as follows, both for itself and for each individual acting on Borrower's behalf in connection with the application for this loan:

- (1) Borrower was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.
- (2) Current economic uncertainty makes this loan request necessary to support the ongoing operations of Borrower.
- (3) The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments; Borrower understands that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable such as for charges of fraud. As explained above, not more than 25% of loan proceeds may be used for non-payroll costs.
- (4) Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the Lender.



(5) On the terms and conditions of the Paycheck Protection Program, loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. As explained above, not more than 25% of the forgiven amount may be for non-payroll costs.

(6) During the period beginning on February 15, 2020 and ending on December 31, 2020, Borrower has not and will not receive another loan under this Paycheck Protection Program.

(7) Borrower for itself and all persons acting on its behalf in connection with this loan further certifies that the information provided In Borrower's application and the information provided in all supporting documents and forms is true and accurate in all material respects. We understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by Imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

(8) Borrower acknowledges that the lender will confirm the eligible loan amount using tax documents it has submitted. I affirm that these tax documents are identical to those submitted to the Internal Revenue Service. Borrower also understands, acknowledges, and agrees that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

(9) The United States is the principal place of residence for all employees of Borrower included in Borrower's payroll calculation.

(10) If Borrower operates a franchise, the franchise is listed in the SBA's Franchise Directory.

(11) If the Borrower has received an economic injury disaster loan made by the SBA (an "EIDL"), it has not applied the proceeds of the EIDL, for the same purposes for which this Loan is obtained, and any loan received by Borrower under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying Payroll Costs and other allowable uses for loan under the Paycheck Protection Program Rule.

(12) The signatory set forth below, in his/her capacity as noted below of Borrower is authorized, empowered and directed to execute the foregoing Note and no further authorization, consent or direction is required from the undersigned or any other party for the execution and/or delivery of the foregoing Note and the performance by Borrower of its obligations thereunder.

(13) Neither Borrower nor any owner of the Borrower is presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy.

(14) Neither Borrower nor any owner of the Borrower, or any business owned or controlled by any of them, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government.



11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

The undersigned hereby certifies that he/she is the Authorized Representative of the Borrower duly authorized, empowered and directed, acting independently, to execute and deliver this Note, and no further authorization, consent or direction is required from the Borrower or any other party for the execution and/or delivery of the foregoing Note and the performance by Borrower of its obligations thereunder.

ASTRONOVA, INC

By: /s/ David S. Smith VP, CFO  
David S. Smith, Authorized Representative

5/6/2020  
Date





Bank of America, N.A.  
100 Westminster Street  
RI-536-10-01  
Providence, RI 02903

June 22, 2020

AstroNova, Inc.  
600 East Greenwich Avenue  
West Warwick, RI 02893  
Attention: David Smith, Chief Financial Officer  
Email: dsmith@astronovainc.com

Re: Modifications to Credit Agreement

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated February 28, 2017 (as amended, modified, supplemented or restated from time to time, the "Credit Agreement") by and among Astronova, Inc., a Rhode Island corporation (the "U.S. Borrower"), the Guarantors party thereto from time to time, ANI APS, a Danish private limited liability company (the "Danish Borrower") and together with the US Borrower, the "Borrowers" and each a "Borrower") and Bank of America, N.A. (the "Lender"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement.

The Borrowers have requested that the Lender make certain amendments to the Credit Agreement and the Lender is willing to do so, subject to the terms and conditions set forth herein.

Now, therefore, in consideration of the agreements set forth herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows.

1. Sections 7.11(a) and (c) of the Credit Agreement provides that, among other things, for the Measurement Period ending May 2, 2020, the Loan Parties and their Subsidiaries shall not permit:

- (a) the Consolidated Leverage Ratio to be greater than 3.00 to 1.00; and
- (b) Consolidated EBITDA to be less than \$9,500,000 ((a) and (b), collectively, the "Specified Financial Covenants").

Notwithstanding the terms and conditions set forth in Section 7.11(a) and (c) of the Credit Agreement, the Lender hereby waives compliance by the Loan Parties and their Subsidiaries with the Specified Financial Covenants for the Measurement Period ending May 2, 2020 (the "Subject

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Measurement Period”) and hereby waives any Default arising from any non-compliance by the Loan Parties and their Subsidiaries with the Specified Financial Covenants for the Subject Measurement Period.

2. In addition to the financial covenants set forth in Section 7.11 of the Credit Agreement (as modified hereby), the Loan Parties and their Subsidiaries shall not permit Consolidated EBITDA for the trailing twelve month period ending June 27, 2020 to be less than \$9,500,000 (the “Additional EBITDA Covenant”). The Additional EBITDA Covenant will be tested on August 15, 2020. The U.S. Borrower shall deliver to the Lender, on or before August 15, 2020, a compliance certificate in form and substance satisfactory to the Lender, evidencing compliance with this covenant (the “Interim Covenant Compliance Certificate”). A failure to comply with any of the covenants set forth in this paragraph 2 shall constitute an immediate Event of Default under the Credit Agreement, for which there shall be no grace or cure period.

3. Notwithstanding the terms and conditions set forth in Section 4.02 of the Credit Agreement, the Borrowers confirm, acknowledge and agree that they shall not submit a Request for Credit Extension and the Lender shall have no obligation to honor any Request for Credit Extension from the date of this letter agreement through and including August 15, 2020. After August 15, 2020, the Borrower may only submit Requests for Credit Extensions, and the Lender shall only be obligated to honor such Requests for Credit Extension, to the extent that the request therefor complies with Section 4.02 of the Credit Agreement. Additionally, notwithstanding the terms and conditions set forth in Section 7.06 of the Credit Agreement, the Borrowers confirm, acknowledge and agree that they shall not make any Restricted Payments that would otherwise be permitted by Section 7.06(e) or (f) of the Credit Agreement from the date of this letter until the date on which the Interim Covenant Compliance Certificate has been delivered by the Borrowers to the Lender. Additionally, the Borrowers and the Lender agree that from May 2, 2020 through and including August 15, 2020, the Borrowers shall not make Restricted Payments, and thereafter may only make Restricted Payments in accordance with Section 7.06 of the Credit Agreement.

4. Except as otherwise expressly specified in this letter, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement and the other Loan Documents, all rights of the Lender and all of the Obligations shall remain in full force and effect and are unaffected hereby. The Loan Parties hereby confirm that the Credit Agreement and the other Loan Documents are in full force and effect and that none of the Borrowers or any other Loan Party has any right of setoff, recoupment or other offset or any defense as of the date hereof with respect to any of the Obligations, the Credit Agreement or any other Loan Document.

5. By its signature below, each of the Loan Parties represents and warrants that (a) after giving effect to this letter, the representations and warranties set forth in Article V of the Credit Agreement or in any other Loan Document are true and correct in all material respects on and as of the date of this letter; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date; provided further, that any representation or warranty that is qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) without duplication of materiality qualifiers as of such date or such earlier date, as applicable; and (b) after giving effect to this letter, no event has occurred and is continuing which constitutes a Default or an Event of Default.

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6. The execution, delivery and effectiveness of this letter shall not (i) directly or indirectly constitute a course of dealing or, except as expressly specified in this letter, other basis for altering any Obligations or any other contract or instrument (including, without limitation, the Credit Agreement and the other Loan Documents) or (ii) operate as a waiver of any right, power or remedy of the Lender under the Credit Agreement or any Loan Document or constitute a continuing consent or waiver of any kind, except as expressly set forth herein.

7. This letter and the consent set forth above shall be effective upon the execution and delivery hereof by the Loan Parties and Lender. This letter is a Loan Document, and the terms and conditions of Sections 10.13 and 10.14 are incorporated herein by reference, *mutatis mutandis*.

[Signature page follows.]

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Very truly yours,

BANK OF AMERICA, N.A., as the Lender

By: /s/ Nicholas Storti

Name: Nicholas Storti

Title: Senior Vice President

[Signature Page to Letter Agreement]

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ASTRONOVA, INC., as the U.S. Borrower and  
Domestic Guarantor

By: /s/ David S. Smith  
Name: David S. Smith  
Title: VP, CFO, Treasurer

ANI APS, as the Danish Borrower

By: /s/ Gregory A. Woods  
Name: Gregory A. Woods  
Title: CEO & Chairman

TROJAN LABEL, APS, as the Foreign Guarantor

By: /s/ Gregory A. Woods  
Name: Gregory A. Woods  
Title: President & CEO

cc: Foley Hoag LLP  
155 Seaport Blvd.  
Boston, MA 02210  
Attention: Malcolm G. Henderson, Esq.  
Email: mhenderson@foleyhoag.com

[Signature Page to Letter Agreement]

## CERTIFICATION

## Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory A. Woods certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2020

/s/ Gregory A. Woods

Gregory A. Woods,  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

## Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- I, David S. Smith, certify that:
1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2020

/s/ David S. Smith

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David S. Smith,  
Vice President, Chief Financial Officer and Treasurer  
(Principal Accounting Officer and Principal Financial Officer)

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

In connection with the Quarterly Report of AstroNova, Inc. (the "Company") on Form 10-Q for the period ended May 2, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Woods, President and Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2020

/s/ Gregory A. Woods

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Gregory A. Woods,  
President and Chief Executive Officer  
(Principal Executive Officer)

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

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

In connection with the Quarterly Report of AstroNova, Inc. (the "Company") on Form 10-Q for the period ended May 2, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Smith, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to Rule 13a-14(b) and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2020

/s/ David S. Smith

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David S. Smith,  
Vice President, Chief Financial Officer and Treasurer  
(Principal Accounting Officer and Principal Financial Officer)

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