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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2015

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

Astro-Med, 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)

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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.

**Common Stock, \$.05 Par Value – 7,340,736 shares
(excluding treasury shares) as of December 4, 2015**

ASTRO-MED, INC.

INDEX

	<u>Page No.</u>
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
Unaudited Condensed Consolidated Balance Sheets—October 31, 2015 and January 31, 2015	3
Unaudited Condensed Consolidated Statements of Income—Three and Nine Months Ended October 31, 2015 and November 1, 2014	4
Unaudited Condensed Consolidated Statements of Comprehensive Income—Three and Nine Months Ended October 31, 2015 and November 1, 2014	5
Unaudited Condensed Consolidated Statements of Cash Flows—Nine Months Ended October 31, 2015 and November 1, 2014	6
Notes to the Condensed Consolidated Financial Statements (unaudited)	7-16
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17-24
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	24
<u>Item 1A. Risk Factors</u>	25
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 3. Defaults Upon Senior Securities</u>	25
<u>Item 4. Mine Safety Disclosures</u>	25
<u>Item 5. Other Information</u>	25
<u>Item 6. Exhibits</u>	25
<u>Signatures</u>	26

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

ASTRO-MED, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, Except Share Data)

	October 31, 2015	January 31, 2015
	(Unaudited)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 11,296	\$ 7,958
Securities Available for Sale	11,159	15,174
Accounts Receivable, net	14,913	14,107
Inventories	15,124	15,582
Deferred Tax Assets	3,425	2,629
Line of Credit Receivable	150	173
Note Receivable	253	255
Asset Held for Sale	—	1,900
Prepaid Expenses and Other Current Assets	3,465	4,140
Total Current Assets	59,785	61,918
PROPERTY, PLANT AND EQUIPMENT	38,951	36,823
Less Accumulated Depreciation	(29,535)	(28,444)
Property, Plant and Equipment, net	9,416	8,379
OTHER ASSETS		
Note Receivable	—	256
Intangible Assets, net	6,132	2,698
Goodwill	4,522	991
Other	92	88
Total Other Assets	10,746	4,033
TOTAL ASSETS	\$ 79,947	\$ 74,330
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,375	\$ 3,155
Accrued Compensation	2,912	3,302
Other Liabilities and Accrued Expenses	2,379	2,343
Deferred Revenue	481	621
Income Taxes Payable	1,056	148
Total Current Liabilities	12,203	9,569
Deferred Tax Liabilities	65	83
Other Long Term Liabilities	1,070	1,167
TOTAL LIABILITIES	13,338	10,819
SHAREHOLDERS' EQUITY		
Common Stock, \$0.05 Par Value, Authorized 13,000,000 shares; Issued 9,601,043 shares and 9,544,864 shares at October 31, 2015 and January 31, 2015, respectively	480	477
Additional Paid-in Capital	44,718	43,600
Retained Earnings	41,897	39,735
Treasury Stock, at Cost, 2,297,659 and 2,293,606 shares at October 31, 2015 and January 31, 2015, respectively	(19,658)	(19,602)
Accumulated Other Comprehensive Loss	(828)	(699)
TOTAL SHAREHOLDERS' EQUITY	66,609	63,511
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 79,947	\$ 74,330

See Notes to condensed consolidated financial statements (unaudited).

ASTRO-MED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, Except Per Share Data)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 31,</u> <u>2015</u>	<u>November 1,</u> <u>2014</u>	<u>October 31,</u> <u>2015</u>	<u>November 1,</u> <u>2014</u>
Net Sales	\$ 24,753	\$ 23,137	\$ 70,897	\$ 66,277
Cost of Sales	14,601	12,985	41,869	37,901
Gross Profit	10,152	10,152	29,028	28,376
Operating Expenses:				
Selling and Marketing	4,563	4,606	13,555	13,483
Research and Development	1,839	1,564	5,200	4,414
General and Administrative	1,891	1,407	5,132	4,041
Operating Expenses	8,293	7,577	23,887	21,938
Operating Income, net	1,859	2,575	5,141	6,438
Other Income (Expense)	333	(46)	587	(85)
Income before Income Taxes	2,192	2,529	5,728	6,353
Income Tax Provision	873	974	2,031	2,235
Net Income	\$ 1,319	\$ 1,555	\$ 3,697	\$ 4,118
Net Income per Common Share—Basic	\$ 0.18	\$ 0.20	\$ 0.51	\$ 0.54
Net Income per Common Share—Diluted	\$ 0.18	\$ 0.20	\$ 0.50	\$ 0.52
Weighted Average Number of Common Shares Outstanding:				
Basic	7,295	7,730	7,277	7,678
Diluted	7,466	7,926	7,462	7,897
Dividends Declared Per Common Share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

See Notes to condensed consolidated financial statements (unaudited).

ASTRO-MED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 31,</u> <u>2015</u>	<u>November 1,</u> <u>2014</u>	<u>October 31,</u> <u>2015</u>	<u>November 1,</u> <u>2014</u>
Net Income	\$ 1,319	\$ 1,555	\$ 3,697	\$ 4,118
Other Comprehensive Loss, Net of Taxes and Reclassification Adjustments:				
Foreign Currency Translation Adjustments	(7)	(307)	(120)	(348)
Unrealized Holding Gain (Loss) on Securities Available for Sale	6	(6)	(9)	(8)
Other Comprehensive Loss	(1)	(313)	(129)	(356)
Comprehensive Income	<u>\$ 1,318</u>	<u>\$ 1,242</u>	<u>\$ 3,568</u>	<u>\$ 3,762</u>

See Notes to condensed consolidated financial statements (unaudited).

ASTRO-MED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended	
	October 31, 2015	November 1, 2014
Cash Flows from Operating Activities:		
Net Income	\$ 3,697	\$ 4,118
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,467	1,541
Share-Based Compensation	834	381
Deferred Income Tax Benefit	(814)	(23)
Changes in Assets and Liabilities, Net of Acquisition:		
Accounts Receivable	(756)	(2,400)
Inventories	457	(1,245)
Income Taxes	2,101	(1,349)
Accounts Payable and Accrued Expenses	1,856	1,984
Other	(597)	(1,004)
Net Cash Provided by Operating Activities	8,245	2,003
Cash Flows from Investing Activities:		
Proceeds from Sales/Maturities of Securities Available for Sale	7,693	10,585
Purchases of Securities Available for Sale	(3,692)	(9,462)
Acquisition of RITEC's Ruggedized Printer Business	(7,360)	—
Net Proceeds Received for Sale of Asset Held for Sale	1,698	—
Release of Funds Held in Escrow From Sale of Grass	—	1,800
Proceeds Received on Disposition of Grass Inventory	—	2,355
Payments Received on Line of Credit and Note Receivable	270	248
Additions to Property, Plant and Equipment	(2,173)	(1,719)
Net Cash Provided (Used) by Investing Activities	(3,564)	3,807
Cash Flows from Financing Activities:		
Proceeds from Common Shares Issued Under Employee Benefit Plans and Employee Stock Option Plans, Net of Payment of Minimum Tax Withholdings	231	959
Dividends Paid	(1,534)	(1,619)
Net Cash Used by Financing Activities	(1,303)	(660)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(40)	(219)
Net Increase in Cash and Cash Equivalents	3,338	4,931
Cash and Cash Equivalents, Beginning of Period	7,958	8,341
Cash and Cash Equivalents, End of Period	\$ 11,296	\$ 13,272
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for Income Taxes, Net of Refunds	\$ 711	\$ 3,602

See Notes to condensed consolidated financial statements (unaudited).

ASTRO-MED, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Overview

Headquartered in West Warwick, Rhode Island, Astro-Med Inc. designs, develops, manufactures and distributes a broad range of specialty printers and data acquisition and analysis systems. Our products are distributed through our own sales force and authorized dealers in the United States. We also sell to customers outside of the United States primarily through our Company offices in Canada, Mexico, Europe and Southeast Asia as well as with independent dealers and representatives. Astro-Med's products are employed around the world in a wide range of aerospace, apparel, automotive, avionics, chemical, computer peripherals, communications, distribution, food and beverage, general manufacturing, packaging and transportation applications.

On September 25, 2015, the Company announced it will begin doing business as AstroNova on a worldwide basis. The name change is part of our plan to modernize the Company and effectively communicate our strategy. The AstroNova name and brand emphasizes our traditional strengths in aerospace and acknowledges our expanding presence in test and measurement, product identification and other new areas where we can apply our data visualization technology. Astro-Med's Ruggedized products and Test and Measurement business will adopt the AstroNova brand. QuickLabel Systems products will continue to go to market under the QuickLabel® brand.

The Company has filed for trademark protection of the AstroNova name and logo in the United States and other countries.

The Company will continue to trade on NASDAQ stock exchange under its official name, Astro-Med, Inc., using its present ticker symbol, ALOT.

Unless otherwise indicated, references to "Astro-Med," the "Company," "we," "our," and "us" in this Quarterly Report on Form 10-Q refer to Astro-Med, Inc. and its consolidated subsidiaries.

(2) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, 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 footnotes contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

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

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. Some of the more significant estimates relate to the allowances for doubtful accounts and credits, inventory valuation, impairment of long-lived assets and goodwill, income taxes, share-based compensation, accrued expenses and warranty reserves. Management's estimates are based on the facts and circumstances available at the time estimates are made, past historical experience, risk of loss, general economic conditions and trends, and management's assessments of the probable future outcome of these matters. Consequently, actual results could differ from those estimates.

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

(3) Principles of Consolidation

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

(4) Acquisition

On June 19, 2015, Astro-Med completed the acquisition of the ruggedized printer product line for civil and commercial aircraft from Rugged Information Technology Equipment Corporation (RITEC) under the terms of an Asset Purchase Agreement dated June 18, 2015. The products of RITEC consist of rugged printers for use in commercial aircraft sold primarily to aircraft manufacturers, tier one contractors and directly to airlines around the world. Astro-Med's ruggedized printer product line is part of the Test & Measurement (T&M) product group and is reported as part of the T&M segment. The Company began shipment of RITEC products in the third quarter of the current fiscal year.

[Table of Contents](#)

The purchase price of the acquisition was \$7,360,000 which was funded using available cash and investment securities. Of the \$7,360,000 purchase price, \$750,000 is being held in escrow for twelve months following the acquisition date to support an indemnity to the Company in the event of any breach in the representations, warranties and covenants of RITEC. The assets acquired consist principally of accounts receivables and certain intangible assets. Acquisition related costs of approximately \$18,000 and \$107,000 are included in the general and administrative expenses in the Company's consolidated statements of income for the three and nine months ended October 31, 2015, respectively. The acquisition was accounted for under the acquisition method in accordance with the guidance provided by FASB ASC 805, "Business Combinations."

Astro-Med also entered into a Transition Services Agreement, under which RITEC will provide transition services and continue to manufacture products in the acquired product line for approximately six months after the date of purchase until the Company transitions the manufacturing to its West Warwick, Rhode Island facility. Upon expiration of the Transition Services Agreement, Astro-Med will purchase any inventory held by RITEC at its book value (net of reserves), which the Company estimates will be approximately \$100,000.

Also as part of the Asset Purchase Agreement, Astro-Med entered into a License Agreement, which grants RITEC certain rights to use the intellectual property acquired by the Company in the design, development, marketing, manufacture, sale and servicing of ruggedized printers for aircraft sold to the military end-user market and printers sold to other non-aircraft market segments. RITEC will pay royalties equal to 7.5% of the sales price on all products sold into the military end-user aircraft market during the first five years of the License Agreement.

The purchase price of the acquisition has been allocated on the basis of fair value as follows:

(In thousands)	
Accounts Receivable	\$ 50
Identifiable Intangible Assets	3,780
Goodwill	<u>3,530</u>
Total Purchase Price	<u>\$7,360</u>

The fair value of the identifiable intangible assets acquired was estimated by applying the income approach. This fair value measurement is based on significant inputs that are not observable in the market and therefore, represent a Level 3 measurement as defined in ASC 820, "Fair Value Measurement and Disclosure." Key assumptions include (1) a weighted average cost of capital of 15.5%; (2) a range of earnings projections from \$110,000-\$700,000 and (3) a range of contract renewal probability from 0%-100%.

Goodwill of \$3,530,000, which is deductible for tax purposes, represents the excess of the purchase price over the estimated fair value assigned to the tangible and identifiable intangible assets acquired from RITEC. The carrying amount of the goodwill was allocated to the T&M segment of the Company.

The following table reflects the fair value of the acquired identifiable intangible assets and related estimated useful lives:

(In thousands)	Fair Value	Useful Life (Years)
Customer Contract Relationships	\$2,830	10
Non-Compete Agreement	950	5
Total	<u>\$3,780</u>	

Assuming the acquisition of RITEC occurred on February 1, 2014, the impact on net sales, net income and earnings per share would not have been material to the Company for the three and nine months ended October 31, 2015 and November 1, 2014.

(5) 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 for stock options, unvested 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:

[Table of Contents](#)

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Weighted Average Common Shares Outstanding—Basic	7,294,595	7,729,530	7,277,356	7,677,751
Effect of Dilutive Options, Restricted Stock Awards and Restricted Stock Units	171,557	196,620	185,058	219,310
Weighted Average Common Shares Outstanding—Diluted	<u>7,466,152</u>	<u>7,926,150</u>	<u>7,462,414</u>	<u>7,897,061</u>

For the three and nine months ended October 31, 2015 the diluted per share amounts do not reflect common equivalent shares outstanding of 449,100 and 424,100, respectively. For the three and nine months ended November 1, 2014 the diluted per share amounts do not reflect common equivalent shares outstanding of 155,000. These outstanding common equivalent shares were not included due to their anti-dilutive effect. Anti-dilutive shares consist of those common stock equivalents that have either an exercise price above the average stock price for the period, or the common stock equivalent's related average unrecognized stock compensation expense is sufficient to "buy back" the entire amount of shares. Restricted stock units which vest based upon achievement of performance targets are excluded from the diluted shares outstanding unless the performance targets have been met as of the end of the reporting period regardless of whether such performance targets are probable of achievement as of the end of the measurement period.

(6) Intangible Assets

Intangible assets are as follows:

(In thousands)	October 31, 2015			January 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer Contract Relationships (Miltope)	\$ 3,100	\$ (669)	\$ 2,431	\$ 3,100	\$ (402)	\$ 2,698
Customer Contract Relationships (RITEC)	2,830	(16)	2,814	—	—	—
Non-Compete Agreement (RITEC)	950	(63)	887	—	—	—
Intangible assets, net	<u>\$ 6,880</u>	<u>\$ (748)</u>	<u>\$ 6,132</u>	<u>\$ 3,100</u>	<u>\$ (402)</u>	<u>\$ 2,698</u>

There were no impairments to intangible assets during the periods ended October 31, 2015 and November 1, 2014. Amortization expense of \$152,000 and \$175,000 in regards to the above acquired intangibles has been included in the condensed consolidated statement of income for the three months ended October 31, 2015 and November 1, 2014, respectively. Amortization expense of \$347,000 and \$526,000 in regards to the above acquired intangibles has been included in the condensed consolidated statement of income for the nine months ended October 31, 2015 and November 1, 2014, respectively.

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

(In thousands)	Remainder of 2016	2017	2018	2019	2020
Estimated amortization expense	\$ 152	\$ 715	\$ 774	\$ 769	\$ 802

(7) Share-Based Compensation

Astro-Med has two equity incentive plans – the 2007 Equity Incentive Plan (the "2007 Plan") and the 2015 Equity Incentive Plan (the "2015 Plan"). Under these plans, the Company may grant incentive stock options, non-qualified stock options, stock appreciation rights, time or performance based restricted stock units ("RSUs"), restricted stock awards ("RSAs"), and other stock-based awards to executives, key employees, directors and other eligible individuals. At October 31, 2015, 107,122 shares were available for grant under the 2007 Plan, of which 100,000 are reserved for stock options that the Company is obligated to issue to its CEO in fiscal years 2017 and 2018 pursuant to an Equity Incentive Award Agreement dated as of November 24, 2014 (the "CEO Equity Incentive Agreement"). The 2007 Plan will expire in May 2017. The 2015 Plan was approved by the Company's shareholders at the 2015 annual meeting. The 2015 Plan authorizes the issuance of up to 500,000 shares (subject to adjustment for stock dividends and stock splits) and will expire in May 2025. At October 31, 2015, 240,000 shares were available for grant under the 2015 Plan.

[Table of Contents](#)

Options granted to date to employees under both Plans vest over four years and expire after ten years. The exercise price of each stock option is established at the discretion of the Compensation Committee; however, any incentive stock options granted under the 2007 Plan, and all options granted under the 2015 Plan, must be at an exercise price of not less than the fair market value of the Company's common stock on the date of grant.

Under the Plans, each non-employee director receives an automatic annual grant of ten-year options to purchase 5,000 shares of stock upon the adjournment of each shareholders meeting. Each such option is exercisable at the fair market value of the Company's common stock as of the grant date, and vests immediately prior to the next succeeding shareholders' meeting. During the second quarter of fiscal 2016, 25,000 options in total were granted to the non-employee directors. In addition to the automatic option grant, the Company has a Non-Employee Director Annual Compensation Program (the "Program") which provides that each non-employee director is entitled to an annual cash retainer of \$7,000 (the "Annual Cash Retainer"), plus \$500 for each Board and committee meeting attended. In addition, the Chairman of the Board also receives an annual retainer of \$6,000, and the Chairs of the Audit and Compensation Committees each receive an annual retainer of \$4,000 ("Chair Retainer"). The non-employee directors may elect, for any fiscal year, to receive all or a portion of the Annual Cash Retainer and/or Chair Retainer (collectively the "Cash Retainer") in the form of common stock of the Company, which will be issued under one of the Plans. If a non-employee director elects to receive all or a portion of the Cash Retainer in the form of common stock, such shares shall be issued in four quarterly installments on the first day of each fiscal quarter, and the number of shares of common stock to be issued shall be based on the fair market value of the Company's common stock on the date such installment is payable. The common stock received in lieu of such Cash Retainer is fully vested upon issuance. However, a non-employee director who receives common stock in lieu of all or a portion of the Cash Retainer may not sell, transfer, assign, pledge or otherwise encumber the common stock prior to the first anniversary of the date on which such shares were issuable. In the event of the death or disability of a non-employee director, or a change in control of the Company, any shares of common stock issued in lieu of the Cash Retainer, shall no longer be subject to such restrictions on transfer. During the first, second and third quarters of fiscal 2016, 698, 722 and 752 shares, respectively, were awarded to non-employee directors in lieu of the Cash Retainer.

In addition, under the Program, each non-employee director receives RSAs with a value equal to \$20,000 (the "Equity Retainer") upon adjournment of each annual shareholders' meeting. If a non-employee director is first appointed or elected to the Board of Directors effective on a date other than the annual shareholders' meeting, on the date of such appointment or election the director shall receive a pro rata award of restricted common stock having a value based on the number of days remaining until the next annual meeting. The Equity Retainer will vest on the earlier of 12 months after the grant date or the date immediately prior to the next annual meeting of the shareholders following the meeting at which such RSAs were granted. However, a non-employee director may not sell, transfer, assign, pledge or otherwise encumber the vested common stock prior to the second anniversary of the vesting date. In the event of the death or disability of a non-employee director, or a change in control of the Company, the RSAs shall immediately vest and shall no longer be subject to such restrictions on transfer.

In March 2012 (fiscal year 2013), a portion of the Company's executives' long-term incentive compensation was awarded in the form of RSUs ("2013 RSUs"). The 2013 RSUs were earned based on the Company achieving specific thresholds of net sales and annual operating income as established under the fiscal 2013 Domestic Management Bonus Plan, and vested fifty percent on the first anniversary of the grant date and fifty percent on the second anniversary of the grant date provided that the grantee was employed on each vesting date by Astro-Med or an affiliate company. All such 2013 RSUs were earned and vested as of March 2014.

In April 2013 (fiscal year 2014), the Company granted options and RSUs to officers ("2014 RSUs"). The 2014 RSUs will be earned and vest as follows: twenty-five percent vest on the third anniversary of the grant date, fifty percent vest upon the Company achieving its cumulative budgeted net sales target for fiscal years 2014 through 2016 (the "Measurement Period"), and twenty-five percent vest upon the Company achieving a target average annual ORONA (operating income return on net assets as calculated under the Domestic Management Bonus Plan) for the Measurement Period. The grantee may not sell, transfer or otherwise dispose of more than fifty percent of the common stock issued upon vesting of the 2014 RSUs until the first anniversary of the vesting date. On February 1, 2014, the Company accelerated the vesting of 4,166 of the 2014 RSUs held by Everett Pizzuti in connection with his retirement. None of the remaining 2014 RSUs, have vested as of October 31, 2015.

In March 2015 (fiscal year 2016), the Company granted 50,000 options and 537 RSAs to its CEO pursuant to the CEO Equity Incentive Agreement, and 35,000 options to other key employees. The options and RSAs vest in four equal annual installments commencing on the first anniversary of the grant date.

In May 2015 (fiscal year 2016), the Company granted an aggregate of 80,000 time-based and 155,000 performance-based RSUs ("2016 RSUs") to certain officers of the Company. The time-based 2016 RSUs will vest in four equal annual installments commencing on the first anniversary of the grant date. The performance-based 2016 RSUs will vest over three years based upon the increase in net sales, if any, achieved each fiscal year relative to a three-year net sales increase goal. Performance-based 2016 RSUs that are earned based on organic revenue growth will be fully vested when earned, while those earned based on revenue growth via acquisitions will vest annually over a three-year period following the fiscal year in which the revenue growth occurs. Any performance-based 2016 RSUs that have not been earned at the end of the three-year performance period will be forfeited.

[Table of Contents](#)

We account for compensation cost related to share-based payments based on the estimated fair value of the equity award. We estimate the fair value of each option on the date of grant using the Black-Scholes option-pricing model. Our estimate requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), the risk-free interest rate and the Company's expected future dividend yield. The stock price volatility assumption is based on the historical weekly price of our common stock over a period equivalent to the weighted average expected life of our options. Management evaluated whether there were factors during that period which were unusual and would distort the volatility figure if used to estimate future volatility and concluded that there were no such factors. In determining the expected life of the option grants, the Company has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant and has assessed the expected risk tolerance of different option groups. The risk-free interest rate is based on the actual U.S. Treasury zero coupon rates for bonds matching the expected term of the option as of the option grant date. The dividend assumption is based upon the prior year's average dividend yield. Reductions in compensation expense associated with forfeited options are estimated at the date of grant, and this estimated forfeiture rate is adjusted periodically based on actual forfeiture experience. Our accounting for share-based compensation for RSUs and RSAs is also based on the fair value method. The fair value of RSUs and RSAs is based on the closing market price of the Company's common stock on the grant date.

[Table of Contents](#)

Share-based compensation expense was recognized as follows:

	Three Months Ended		Nine Months Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
(In thousands)				
Stock Options	\$ 69	\$ 62	\$ 212	\$ 174
Restricted Stock Awards and Restricted Stock Units	318	58	614	202
Employee Stock Purchase Plan	4	2	8	5
Total	<u>\$ 391</u>	<u>\$ 122</u>	<u>\$ 834</u>	<u>\$ 381</u>

Stock Options

The fair value of stock options granted during the nine months ended October 31, 2015 and November 1, 2014 was estimated using the following assumptions:

	October 31, 2015	November 1, 2014
Risk Free Interest Rate	1.6%	1.6%
Expected Volatility	22.7%	26.8%
Expected Life (in years)	5.0	5.0
Dividend Yield	2.0%	2.0%

The weighted average fair value per share for options granted during the nine months ended October 31, 2015 was \$2.43, compared to \$2.87 during the nine months ended November 1, 2014.

Aggregated information regarding stock options granted under the Plans for the nine months ended October 31, 2015 is summarized below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at January 31, 2015	656,011	\$ 10.01	4.2	\$ 3,225,000
Granted	110,000	\$ 13.98		
Exercised	(30,482)	\$ 7.95		
Expired or canceled	(2,093)	\$ 7.93		
Forfeited	(700)	\$ 12.61		
Outstanding at October 31, 2015	<u>732,736</u>	<u>\$ 10.70</u>	<u>5.9</u>	<u>\$ 2,176,189</u>
Exercisable at October 31, 2015	<u>480,023</u>	<u>\$ 9.42</u>	<u>4.5</u>	<u>\$ 1,980,934</u>

As of October 31, 2015, there was \$508,000 of unrecognized compensation expense related to unvested options, which may be recognized through March 2019.

Restricted Stock Units (RSUs) and Restricted Stock Awards (RSAs)

Aggregated information regarding RSUs and RSAs granted under the Plan for the nine months ended October 31, 2015 is summarized below:

	RSAs & RSUs	Weighted Average Grant Date Fair Value
Unvested at January 31, 2015	72,245	\$ 9.70
Granted	244,824	\$ 14.05
Vested	(21,917)	\$ 10.51
Forfeited	(2,800)	\$ 10.07
Unvested at October 31, 2015	<u>292,352</u>	<u>\$ 13.28</u>

[Table of Contents](#)

As of October 31, 2015, there was \$1,531,000 of unrecognized compensation expense related to unvested RSUs and RSAs which may be recognized through May 2019.

Employee Stock Purchase Plan

Astro-Med has an Employee Stock Purchase Plan allowing eligible employees to purchase shares of common stock at a 15% discount from fair value on the date of purchase. A total of 247,500 shares were reserved for issuance under this plan. During the nine months ended October 31, 2015 and November 1, 2014, there were 3,795 and 2,464 shares, respectively, purchased under this plan. As of October 31, 2015, 53,210 shares remain available for purchase under the plan.

(8) Inventories

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

(In thousands)	October 31, 2015	January 31, 2015
Materials and Supplies	\$ 9,945	\$ 10,600
Work-In-Process	627	765
Finished Goods	8,404	7,372
	18,976	18,737
Inventory Reserve	(3,852)	(3,155)
	<u>\$ 15,124</u>	<u>\$ 15,582</u>

(9) Income Taxes

The Company's effective tax rates for the period, which are based on the projected effective tax rate for the full year, are as follows:

	Three Months Ended	Nine Months Ended
Fiscal 2016	39.8%	35.5%
Fiscal 2015	38.5%	35.2%

During the three months ended October 31, 2015, the Company recognized an income tax expense of approximately \$873,000. The effective tax rate in this quarter was directly impacted by a \$65,000 tax expense due to the change in estimate relating to prior year's federal taxes. During the three months ended November 1, 2014, the Company recognized an income tax expense of approximately \$974,000. The effective tax rate in this quarter was directly impacted by an \$80,000 tax expense related to the change in estimate relating to prior year's state taxes and offset by a tax benefit of \$41,000 related to the favorable resolution of a previously uncertain tax position.

During the nine months ended October 31, 2015, the Company recognized income tax expense of \$2,031,000. The effective tax rate in this period was directly impacted by a \$135,000 tax benefit related to the statute of limitations expiring on a previously uncertain tax position and a \$65,000 tax expense due to the change in estimate relating to prior year's federal taxes. During the nine months ended November 1, 2014, the Company recognized income tax expense of \$2,235,000 which was directly impacted by an \$80,000 tax expense due to the change in estimate related to prior year's state taxes, offset by a tax benefit of \$141,000 related to the favorable resolution of a previously uncertain tax position.

As of October 31, 2015, the Company's cumulative unrecognized tax benefits totaled \$653,000 compared to \$707,000 as of January 31, 2015. There were no other developments affecting unrecognized tax benefits during the period ended October 31, 2015.

(10) Note Receivable and Line of Credit Issued

On January 30, 2012, the Company completed the sale of its label manufacturing operations in Asheboro, North Carolina to Label Line Ltd. The net sale price of \$1,000,000 was received in the form of a promissory note issued by Label Line Ltd. and is secured by a first lien on various collateral, including the Asheboro plant and plant assets. The note bears interest at the rate of 3.75% per annum and is payable in sixteen quarterly installments of principal and interest which commenced on January 30, 2013. As of October 31, 2015, \$253,000 remains outstanding on this note which approximates its estimated fair value.

The terms of the Asheboro sale also included an agreement for Astro-Med to provide Label Line Ltd. with additional financing in the form of a revolving line of credit in the amount of \$600,000. This line of credit is secured by a first lien on various collateral of Label Line Ltd., including the Asheboro plant and plant assets, and bears interest at a rate equal to the United States prime rate plus an additional margin of two percent on the outstanding credit balance. The term of this revolving line of credit has been extended through January 31, 2016. As of October 31, 2015, \$150,000 remains outstanding on this revolving line of credit. The estimated fair value of the line of credit approximates its carrying value.

(11) Segment Information

Astro-Med reports two segments: QuickLabel Systems (QuickLabel) and Test & Measurement (T&M). The Company evaluates segment performance based on the segment profit before corporate expenses.

On June 19, 2015, Astro-Med completed the asset purchase of the ruggedized printer product line from RITEC. Astro-Med’s ruggedized printer product line is part of the T&M product group and is reported as part of the T&M segment. The Company began shipments of the RITEC products in the third quarter of the current fiscal year. Refer to Note 4, “Acquisition,” for further details.

Summarized below are the Net Sales and Segment Operating Profit for each reporting segment:

(In thousands)	Three Months Ended				Nine Months Ended			
	Net Sales		Segment Operating Profit		Net Sales		Segment Operating Profit	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
QuickLabel	\$ 17,744	\$ 15,252	\$ 2,901	\$ 1,959	\$ 50,487	\$ 44,931	\$ 7,599	\$ 6,405
T&M	7,009	7,885	849	2,023	20,410	21,346	2,674	4,074
Total	\$ 24,753	\$ 23,137	3,750	3,982	\$ 70,897	\$ 66,277	10,273	10,479
Corporate Expenses			1,891	1,407			5,132	4,041
Operating Income			1,859	2,575			5,141	6,438
Other Income (Expense)—Net			333	(46)			587	(85)
Income Before Income Taxes			2,192	2,529			5,728	6,353
Income Tax Provision			873	974			2,031	2,235
Net Income			\$ 1,319	\$ 1,555			\$ 3,697	\$ 4,118

(12) Recent Accounting Pronouncements

Inventory

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-11, “Inventory (Topic 330).” ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value instead of at lower of cost or market. This guidance does not apply to inventory that is measured using last-in, first out (LIFO) or the retail inventory method but applies to all other inventory including inventory measured using first-in, first-out (FIFO) or the average cost method. ASU 2015-11 will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years (Q1 fiscal 2018 for Astro-Med) and should be applied prospectively. Early adoption is permitted as of the beginning of an interim or annual reporting period. Astro-Med is currently evaluating the effect of this new guidance on the Company’s consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 completes the joint effort by the FASB and International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 applies to all companies that enter into contracts with customers to transfer goods or services. In July 2015, the FASB modified ASU 2014-09 to be effective for annual reporting periods beginning after December 15, 2017 (Q1 fiscal 2019 for Astro-Med), including interim periods within that reporting period. As modified, the FASB permits the adoption of the new revenue standard early, but not before the annual periods beginning after December 15, 2016. Entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. The Company is currently evaluating the requirements of ASU 2014-09 and has not yet determined its impact on the Company’s consolidated financial statements.

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

[Table of Contents](#)

(13) Securities Available for Sale

Pursuant to our investment policy, securities available for sale include state and municipal securities with various contractual or anticipated maturity dates ranging from one to 27 months. Securities available for sale are carried at fair value, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in shareholders' equity until realized. Realized gains and losses from the sale of available for sale securities, if any, are determined on a specific identification basis. A decline in the fair value of any available for sale security below cost that is determined to be other than temporary will result in a write-down of its carrying amount to fair value. No such impairment charges were recorded for any period presented. All short-term investment securities have original maturities greater than 90 days.

The fair value, amortized cost and gross unrealized gains and losses of securities available for sale are as follows:

(In thousands)				
October 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and Municipal Obligations	\$ 11,148	\$ 14	\$ (3)	\$ 11,159

(In thousands)				
January 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and Municipal Obligations	\$ 15,150	\$ 26	\$ (2)	\$ 15,174

(14) Fair Value

We measure our financial assets at fair value on a recurring basis in accordance with the guidance provided in ASC 820, "Fair Value Measurement and Disclosures" which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In addition, ASC 820 establishes a three-tiered hierarchy for inputs used in management's determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that reflect management's belief about the assumptions market participants would use in pricing a financial instrument based on the best information available in the circumstances.

The fair value hierarchy is summarized as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash and cash equivalents, accounts receivable, accounts payable, accrued compensation and other expenses and income tax payable are reflected in the condensed consolidated balance sheet at carrying value, which approximates fair value due to the short term nature of the these instruments.

Assets measured at fair value on a recurring basis are summarized below:

(In thousands)				
October 31, 2015	Level 1	Level 2	Level 3	Total
Money Market Funds (included in Cash and Cash Equivalents)	\$3,560	\$ —	\$ —	\$ 3,560
State and Municipal Obligations (included in Securities Available for Sale)	—	11,159	—	11,159
Total	\$3,560	\$11,159	\$ —	\$14,719

(In thousands)				
January 31, 2015	Level 1	Level 2	Level 3	Total
Money Market Funds (included in Cash and Cash Equivalents)	\$3,028	\$ —	\$ —	\$ 3,028
State and Municipal Obligations (included in Securities Available for Sale)	—	15,174	—	15,174
Total	\$3,028	\$15,174	\$ —	\$18,202

[Table of Contents](#)

For our money market funds and state and municipal obligations, we utilize the market approach to measure fair value. The market approach is based on using quoted prices for identical or similar assets.

Non-financial assets such as goodwill, intangible assets, and property, plant and equipment are required to be measured at fair value only when impairment loss is recognized. The Company did not record an impairment loss related to these assets during the nine month periods ended October 31, 2015 and November 1, 2014.

(15) Accumulated Other Comprehensive Loss

The changes in the balance of accumulated other comprehensive loss by component are as follows:

(In thousands)	Foreign Currency Translation Adjustments	Unrealized Holding Gain on Available for Sale Securities	Total
Balance at January 31, 2015	\$ (714)	\$ 15	\$(699)
Other Comprehensive Loss	(120)	(9)	(129)
Balance at October 31, 2015	\$ (834)	\$ 6	\$(828)

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

(16) Commitments and Contingencies

Product Replacement Program

In April 2013, tests conducted by the Company revealed that one of its suppliers had been using a non-conforming part in power supplies for certain models of Astro-Med's Test & Measurement printers. No malfunctions have been reported by customers as a result of the non-conforming material.

Upon identifying this issue, Astro-Med immediately suspended production of the printers, notified all customers and contacted the supplier who confirmed the problem. Astro-Med is continuing to work with its customers to replace the non-conforming material on existing printers with conforming material. The estimated costs associated with the replacement program were \$672,000, which was based upon the number of printers shipped during the period the non-conforming material was used. Those estimated costs were recognized and recorded as a reserve in the first quarter of fiscal 2014. As of October 31, 2015, the Company had expended \$381,000 in replacement costs which have been charged against this reserve. The remaining reserve amount of \$291,000 is included in Other Accrued Expenses in the accompanying condensed consolidated balance sheet dated October 31, 2015.

Astro-Med is currently receiving power supplies with compliant parts and has resumed printer production and shipments to customers.

Since the supplier deviated from the agreed upon specifications for the power supply while providing certificates of conformance to the original specifications, in January 2014, Astro-Med received a non-refundable \$450,000 settlement from the supplier for recovery of the costs and expense associated with this issue. In addition to this cash settlement, the Company is receiving lower product prices from the supplier through fiscal 2017.

(17) Line of Credit

The Company has a three-year, \$10 million revolving line of credit available for ongoing working capital requirements, business acquisitions or general corporate purposes as needed. Any borrowings made under this line of credit bear interest at either a fluctuating base rate equal to the highest of (i) the Prime Rate, (ii) 1.50% above the daily one month LIBOR, and (iii) the Federal Funds Rate in effect plus 1.50% or at a fixed rate of LIBOR plus an agreed upon margin of between 0% and 2.25%, based on the Company's funded debt to EBITDA ratio as defined in the agreement. The agreement provides for two financial covenant requirements, namely, Total Funded Debt to Adjusted EBITDA (as defined) of not greater than 3 to 1 and a Fixed Charge Coverage Ratio (as defined) of not less than 1.25 to 1, both measured at the end of each quarter on a rolling four quarter basis. As of October 31, 2015, there have been no borrowings against this line of credit and the Company was in compliance with its financial covenants.

(18) Sale of Asset Held for Sale

On October 29, 2015, the Company completed the sale of its former Grass Facility located in Rockland, Massachusetts for \$1,800,000 in cash. The net cash proceeds received of \$1,698,000 reflect closing costs and broker fees previously accrued. After considering reserved amounts, the net loss on the sale of \$3,000 was recognized in the consolidated income statement for the three and nine month periods ended October 31, 2015.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Business Overview**

This section should be read in conjunction with Astro-Med’s Condensed Consolidated Financial Statements included elsewhere herein and our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

Astro-Med is a multi-national enterprise that utilizes 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. The Company organizes its structure around a core set of competencies, including research and development, manufacturing, service, marketing and distribution. It markets and sells its products and services through the following two sales product groups:

- QuickLabel Systems Product Group (QuickLabel)—offers product identification and label printer hardware, software, servicing contracts, and consumable products.
- Test and Measurement Product Group (T&M)—offers a suite of products and services that acquire and record visual and electronic signal data from local and networked sensors as well as wired and wireless networks. The recorded data is processed and analyzed and then stored and presented in various visual output formats. The T&M segment also includes a line of Ruggedized airborne printers that are used in the flight deck and in the cabin of military and commercial aircraft to print hard copies of airport approach plans, flight itineraries, weather maps, connecting gate information, and ground communications. Ruggedized products also include Ethernet switches which are used in military aircraft and military vehicles to connect multiple computers or Ethernet devices.

Astro-Med markets and sells its products and services globally through a diverse distribution structure of direct sales personnel, manufacturer’s representatives and authorized dealers that deliver a full complement of branded products and services to customers in our respective markets.

On September 25, 2015, the Company announced it will begin doing business as AstroNova on a worldwide basis. The name change is part of the plan to modernize the Company and effectively communicate its strategy. The AstroNova name and brand emphasizes the Company’s traditional strengths in aerospace and acknowledges its expanding presence in test & measurement, product identification and other new areas where its data visualization technology can apply. Astro-Med’s Aerospace (Ruggedized) products and Test and Measurement business will adopt the AstroNova brand. QuickLabel Systems products will continue to go to market under the QuickLabel® brand.

On June 19, 2015, Astro-Med completed the asset purchase of the ruggedized printer product line from RITEC. Astro-Med’s ruggedized printer product line is part of the T&M product group and is reported as part of the T&M segment. The Company began shipments of the RITEC products in the third quarter of the current fiscal year. Refer to Note 4, “Acquisition,” for further details

Results of Operations**Three Months Ended October 31, 2015 vs. Three Months Ended November 1, 2014**

Net sales by segment and current quarter percentage change over prior year for the three months ended October 31, 2015 and November 1, 2014 were:

<i>(Dollars in thousands)</i>	October 31, 2015	As a % of Net Sales	November 1, 2014	As a % of Net Sales	% Change Over Prior Year
QuickLabel	\$ 17,744	71.7%	\$ 15,252	65.9%	16.3%
T&M	7,009	28.3%	7,885	34.1%	(11.1)%
Total	\$ 24,753	100.0%	\$ 23,137	100.0%	7.0%

Net sales for the third quarter of the current year were \$24,753,000, representing a 7.0% increase as compared to the previous year’s third quarter sales of \$23,137,000. Sales through the domestic channels for the current quarter were \$17,853,000, an increase of 8.0% over the prior year’s third quarter. International sales for the third quarter of the current year were \$6,900,000, representing a 4.4% increase from the previous year. Current year’s third quarter international sales include an unfavorable foreign exchange rate impact of \$694,000.

[Table of Contents](#)

Hardware sales in the current quarter were \$8,710,000, a decrease as compared to prior year's third quarter hardware sales of \$10,603,000. Hardware sales were down 18.3% in the T&M product group primarily due to the decrease in the Aerospace product line sales, due to shipments of orders being deferred to later quarters. Additionally, data acquisition sales in the T&M product group were down due to the delay in the release of a new product. Hardware sales in the current quarter were down 17.1% from the prior year in the QuickLabel product group due to a decline in sales of both monochromatic and other color printers. This decline was slightly offset by an increase in current quarter Kiaro! sales.

Consumables sales in the current quarter were \$13,897,000, representing a 26.6% increase over prior year's third quarter consumable sales of \$10,979,000. The current quarter increase in consumable sales as compared to the third quarter of the prior year is attributable to strong growth in sales of digital color printer supplies and label and tag products in the QuickLabel segment for the Kiaro! printer.

Service and other revenues of \$2,146,000 in the current quarter were up 38.0% from prior year's third quarter service and other revenues of \$1,555,000, primarily due to the increase in repairs and parts revenue during the quarter related to the fiscal 2014 Miltope acquisition.

Current year third quarter gross profit was \$10,152,000, representing no change as compared to prior year's third quarter gross profit; however, the Company's gross profit margin of 41.0% in the current quarter reflects a decrease from the prior year's third quarter gross profit margin of 43.9%. The current quarter's decrease in margin is related to lower factory absorption and product integration.

Operating expenses for the current quarter were \$8,293,000, a 9.4% increase as compared to prior year's third quarter operating expenses of \$7,577,000. Specifically, G&A expenses increased in the third quarter to \$1,891,000 as compared to \$1,407,000 in the prior year primarily due to increases in stock-based compensation. Also contributing to the G&A increase were professional fees related to the Company's name change and rebranding initiative, as well as professional fees incurred due to the RITEC acquisition. R&D expenses increased 17.6% in the current quarter as compared to the prior year, due to outside R&D design and product testing to accelerate on-going development, as well as RITEC transitional R&D costs. The R&D spending level, as a percentage of net sales, for the current quarter is 7.4% as compared to 6.8% for the same period of the prior year. Selling and marketing expenses for the current quarter decreased slightly to \$4,563,000 as compared to \$4,606,000 in the third quarter of the prior year due to decreases in commission payments.

The provision for federal, state and foreign taxes for the third quarter of the current year was \$873,000, reflecting an effective tax rate of 39.8%. The effective tax rate in this quarter was directly impacted by a \$65,000 tax expense due to the change in estimate relating to prior year's federal taxes. This compares to the prior year's third quarter tax provision on income of \$974,000, reflecting an effective tax rate of 38.5%.

[Table of Contents](#)

The Company reported net income of \$1,319,000 for the third quarter of the current year, generating EPS of \$0.18 per diluted share as compared to the prior year's third quarter net income of \$1,555,000 and related EPS of \$0.20 per diluted share. Return on sales was 5.3% for the third quarter fiscal 2016 as compared to 6.7% in the third quarter of fiscal 2015.

Nine Months Ended October 31, 2015 vs. Nine Months Ended November 1, 2014

Net sales by product group and current quarter percentage change over prior year for the nine months ended October 31, 2015 and November 1, 2014 were:

<i>(Dollars in thousands)</i>	<u>October 31,</u> <u>2015</u>	<u>As a</u> <u>% of</u> <u>Net Sales</u>	<u>November 1,</u> <u>2014</u>	<u>As a</u> <u>% of</u> <u>Net Sales</u>	<u>% Change</u> <u>Over</u> <u>Prior Year</u>
QuickLabel	\$ 50,487	71.2%	\$ 44,931	67.8%	12.4%
T&M	20,410	28.8%	21,346	32.2%	(4.4)%
Total	<u>\$ 70,897</u>	<u>100.0%</u>	<u>\$ 66,277</u>	<u>100.0%</u>	<u>7.0%</u>

Net sales for nine months of the current year were \$70,897,000, representing a 7.0% increase as compared to the previous year's sales of \$66,277,000. Sales through the domestic channels for nine months of the current year were \$50,882,000, an increase of 9.8% over the prior year. International sales for nine months of the current year were \$20,015,000, representing a 0.3% increase from the previous year. However, the current year's nine months international sales include an unfavorable foreign exchange rate impact of \$2,556,000.

Hardware sales in nine months of the current year were \$25,692,000, a decrease compared to prior year's sales of \$29,075,000. Current year T&M hardware sales of \$16,396,000 decreased 11.2% as compared to prior year sales of \$18,464,000 and QuickLabel hardware sales of \$9,295,000 in the current year, were lower by 12.4% compared to prior year sales of \$10,613,000. The decrease in sales can be attributed to the decline in Aerospace sales in the T&M group, due to shipments of orders being deferred to later quarters. Also contributing to the current year sales decrease was the decline in data recorder sales in the T&M group due to the delay in the release of a new product, as well as lower monochromatic and other color printer sales in the QuickLabel product group. These declines in sales were slightly offset by increases in sales of T&M's Dash product line, as well as an increase in sales of the Kiaro! product line in the QuickLabel product group.

Consumables sales in the nine months of the current year were \$39,005,000, representing a 19.1% increase over prior year's nine months sales of \$32,738,000. The current year increase in consumable sales is primarily due to increased demand for Kiaro! product consumables within the QuickLabel segment.

[Table of Contents](#)

Service and other revenues of \$6,200,000 in the nine months of the current year were up 38.9% from prior year's nine months service and other revenues of \$4,463,000, primarily due to the increase in repairs and parts revenue during the current year due to the 2014 Miltope acquisition.

Current year nine months gross profit was \$29,028,000, reflecting a 2.3% improvement as compared to prior year's nine months gross profit of \$28,376,000. However, the Company's gross profit margin of 40.9% in the current year reflects a decrease from the prior year's nine months gross profit margin of 42.8%. The higher gross profit for the current year as compared to prior year is primarily attributable to increased sales, while the current year's lower margin is due to product mix, higher manufacturing costs and lower factory absorption.

Operating expenses for the first nine months of the fiscal year were \$23,887,000, an 8.9% increase as compared to prior year's nine months operating expenses of \$21,938,000. Selling and marketing expenses for the current year of \$13,555,000 were virtually flat compared to the previous year's nine months expenses of \$13,483,000. G&A expenses increased to \$5,132,000 in the nine months of the current year as compared to prior year's nine months G&A expenses of \$4,041,000 primarily due to an increase in stock-based compensation, as well as professional fees related to both the Company's name change and branding initiative and the acquisition of the RITEC business. R&D spending in the nine months of the current year of \$5,200,000 increased compared to prior year's nine months spending of \$4,414,000 due primarily to an increase in outside service cost related to the development of new product programs and RITEC transitional R&D costs. Current year spending in R&D represents 7.3% of sales as compared to prior year's nine months level of 6.7%.

Current year nine months operating income of \$5,141,000, resulted in an operating profit margin of 7.3%, lower than the prior year's operating margin of 9.7%. Product mix, lower factory absorption and an increase in manufacturing and operating expenses all contributed to the decline in the current year's operating margin.

Other income during the nine months of the current year was \$587,000 compared to other expense of \$85,000 in the nine months of the previous year. The current year increase includes \$248,000 of income recognized from a settlement in an escrow account related to the Miltope transaction. Relative to the prior year, other expense in fiscal 2015 included a \$251,000 write down on the disposition of inventory related to the conclusion and settlement of the Grass Transition Service Agreement.

The Company recognized a \$2,031,000 income tax expense for the nine months of the current fiscal year which includes a \$135,000 benefit related to the statute of limitations expiring on a previously uncertain tax position and a \$65,000 tax expense due to the change in estimate relating to prior year's federal taxes. This compares to the prior year's nine months income tax expense of \$2,235,000 which included a \$100,000 benefit related to the favorable resolution of a previously uncertain tax position.

[Table of Contents](#)

The Company reported net income of \$3,697,000 for the nine months of the current year, reflecting a return on sales of 5.2% and generating an EPS of \$0.50 per diluted share. In the prior year's nine months, the Company recognized net income of \$4,118,000, reflecting a return on sales of 6.2% and an EPS of \$0.52 per diluted share.

Segment Analysis

The Company reports two segments: QuickLabel Systems (QuickLabel) and Test & Measurement (T&M). The Company evaluates segment performance based on the segment profit before corporate and financial administration expenses.

Summarized below are the Net Sales and Segment Operating Profit for each reporting segment:

(In thousands)	Three Months Ended				Nine Months Ended			
	Net Sales		Segment Operating Profit		Net Sales		Segment Operating Profit	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
QuickLabel	\$ 17,744	\$ 15,252	\$ 2,901	\$ 1,959	\$ 50,487	\$ 44,931	\$ 7,599	\$ 6,405
T&M	7,009	7,885	849	2,023	20,410	21,346	2,674	4,074
Total	\$ 24,753	\$ 23,137	3,750	3,982	\$ 70,897	\$ 66,277	10,273	10,479
Corporate Expenses			1,891	1,407			5,132	4,041
Operating Income			1,859	2,575			5,141	6,438
Other Income (Expense)—Net			333	(46)			587	(85)
Income Before Income Taxes			2,192	2,529			5,728	6,353
Income Tax Provision			873	974			2,031	2,235
Net Income			\$ 1,319	\$ 1,555			\$ 3,697	\$ 4,118

QuickLabel Systems—QuickLabel

Sales revenues from the QuickLabel product group increased 16.3% with sales of \$17,744,000 in the third quarter of the current year as compared to \$15,252,000 in the same period of the prior year. The current quarter's sales reflected the continued growth from the QuickLabel's consumable products line which posted a 26.7% growth rate over the prior year. The current quarter increase in consumable sales is due to the strong demand for label and tag products as well as digital color printer ink supplies products for the new Kiaro! printers. QuickLabel's third quarter segment operating profit was \$2,901,000, reflecting a profit margin of 16.4%, a 48.1% increase from prior year's third quarter segment profit of \$1,959,000 and related profit margin of 12.8%. The increase in QuickLabel's current year's segment operating profit and related margin is due to higher sales and product mix.

Sales revenues from the QuickLabel product group increased 12.4% for the nine months of the current fiscal year to \$50,487,000 as compared to \$44,931,000 in the same period of the prior year. The increase in sales is mostly due to the 19.6% increase in the consumables product line, primarily traceable to the increased demand for the label and tag as well as digital color printer ink supplies, for the new Kiaro! products. Also contributing to the current year increase were Kiaro! hardware sales, which increased 9.6% from the prior year. QuickLabel's current year's segment operating profit was \$7,599,000, reflecting a profit margin of 15.1% as compared to prior year's segment profit of \$6,405,000 and related profit margin of 14.3%. The increase in QuickLabel's current year's segment operating profit and related margin is primarily due to sales growth, product mix and lower R&D spending.

[Table of Contents](#)

Test & Measurement—T&M

Sales revenues from the T&M products were \$7,009,000 for the third quarter of the current fiscal year, representing an 11.1% decrease as compared to sales of \$7,885,000 for the same period in the prior year. The decrease is traceable to the timing in sales of the Ruggedized printers, as well as lower sales in the data acquisition line. The decrease is tempered by growth in parts and repairs revenue during the quarter. T&M's third quarter segment operating profit of \$849,000 resulted in a 12.1% profit margin as compared to the prior year's segment operating profit of \$2,023,000 and related operating margin of 25.7%. The lower segment operating profit and related margin were due to lower sales volume and higher manufacturing expenses.

Sales revenues from the T&M product group were \$20,410,000 for the nine months of the current fiscal year were slightly lower as compared to sales of \$21,346,000 for the same period in the prior year. The decrease is traceable to the decline in sales of Ruggedized printers due to certain aerospace customers deferring shipments to future quarters. However, sales growth in the Dash product line, as well as increases in parts and repairs revenue during the quarter tempered the lower sales volume. T&M's segment operating profit for the first nine months of the current fiscal year was \$2,674,000 which resulted in a 13.1% profit margin as compared to the prior year's segment operating profit of \$4,074,000 and related operating margin of 19.1%. The lower segment operating profit and related margin were due to product mix and higher manufacturing and operating costs.

Financial Condition and Liquidity

The Company believes that cash provided by operations will continue to be sufficient to meet operating and capital needs for at least the next twelve months. The Company has a substantial cash and short term marketable securities balance as well as a \$10.0 million revolving bank line of credit. Borrowings made under this line of credit bear interest at either a fluctuating base rate equal to the highest of (i) the Prime Rate, (ii) 1.50% above the daily one month LIBOR, and (iii) the Federal Funds Rate in effect plus 1.50% or at a fixed rate of LIBOR plus an agreed upon margin of between 0% and 2.25%, based on the Company's funded debt to EBITDA ratio as defined in the agreement. As of the filing date of this Quarterly Report on Form 10-Q, there have been no borrowings against this line of credit and the entire line is currently available.

The Company's statements of cash flows for the nine months ended October 31, 2015 and November 1, 2014 are included on page 6. Net cash flows provided by operating activities were \$8,245,000 in the current year compared to cash provided of \$2,003,000 in the previous year. The increase in operating cash flow for the nine months of the current year as compared to the previous year is related to tax payments made in the prior year in connection with the gain on the sale of Grass, as well as lower working capital requirements for the current year. The combination of accounts receivable, inventory, accounts payable and accrued expenses increased cash by \$1,557,000 in the current year, compared to a decrease of \$1,661,000 in the same period of the prior year. While accounts receivables increased to \$14,913,000 at the end of the third quarter as compared to \$14,107,000 at year-end, the accounts receivable collection cycle decreased to 48 days sales outstanding at the end of the current quarter as compared to 52 days outstanding at year end. Inventory decreased to \$15,124,000 at the end of the third quarter compared to \$15,582,000 at year end and inventory days on hand decreased to 93 days on hand at the end of the current quarter from 106 days at year end.

The Company's cash, cash equivalents and investments at the end of the third quarter totaled \$22,455,000 compared to \$23,132,000 at year end. The decreased cash and investment position at October 31, 2015 resulted primarily from the \$7,360,000 of cash used to purchase the RITEC Ruggedized printer business and cash used to acquire property, plant and equipment of \$2,173,000 primarily for upgrades to the Company's IT infrastructure and machinery and equipment. Cash was also used to pay dividends of \$1,534,000. The decrease in cash was partially offset by the increase in operating cash as discussed above and the net cash received of \$1,698,000 related to the sale of the Grass facility.

The Company's backlog increased 39.3% from year-end to \$16,804,000 at October 31, 2015.

Critical Accounting Policies, Commitments and Certain Other Matters

In the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015, the Company's most critical accounting policies and estimates upon which our financial status depends were identified as those relating to revenue recognition, warranty claims, bad debts, inventories, income taxes, long-lived assets, goodwill and share-based compensation. We considered the disclosure requirements of Financial Release ("FR") 60 ("FR-60") regarding critical accounting policies and FR-61 regarding liquidity and capital resources, certain trading activities and related party disclosures, and concluded that nothing materially changed during the quarter that would warrant further disclosure under these releases.

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) general economic, financial and business conditions; (b) declining demand in the test and measurement markets, especially defense and aerospace; (c) competition in the specialty printer industry; (d) ability to develop market acceptance of our products and effective design of customer required features; (e) competition in the data acquisition industry; (f) the impact of changes in foreign currency exchange rates on the results of operations; (g) the ability to successfully integrate acquisitions and realize benefits from divestitures; (h) the business abilities and judgment of personnel and changes in business strategy; (i) the efficacy of research and development investments to develop new products; (j) the launching of significant new products which could result in unanticipated expenses; (k) bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in the Company's supply chain or difficulty in collecting amounts owed by such customers; (l) and other risks included under "Item 1A-Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015. 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

The registrant is a smaller reporting company and is not required to provide this information.

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no pending or threatened legal proceedings against the Company believed to be material to the financial position or results of operations of the Company.

[Table of Contents](#)

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015, which could materially affect our business, financial condition or future operating results. The risks described in our Annual Report on Form 10-K are not the only risks that we face, as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating result as well as adversely affect the value of our common stock.

There have been no material updates to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

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

- (a) Not applicable
- (b) Not applicable
- (c) During the third quarter of fiscal 2016, the Company made the following repurchases of its common stock:

	<u>Total Number of Shares Repurchased</u>	<u>Weighted 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>
August 2-August 29	—	\$ —	—	390,000
August 30-September 26	4,053(1)(2)	\$ 13.88(1)(2)	—	390,000
September 27-October 31	—	\$ —	—	390,000

- (1) An employee of the Company delivered 553 shares of the Company’s common stock to satisfy the exercise price for 938 stock options exercised. The shares delivered were valued at a market value of \$13.47 per share and are included with treasury stock in the consolidated balance sheet. This transaction did not impact the number of shares authorized for repurchase under the Company’s current repurchase program.
- (2) The CEO of the Company delivered 3,500 shares of the Company’s common stock toward the satisfaction of taxes due with respect to the vesting of restricted shares. The shares delivered were valued at a market value of \$13.95 per share and are included with treasury stock in the consolidated balance sheet. This transaction did not impact the number of shares authorized for repurchase under the Company’s current repurchase program

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed as part of this report on Form 10-Q:

- 10.1 Form of Indemnification Agreement for directors and officers
- 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 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 periods ended October 31, 2015 and November 1, 2014, 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 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.

ASTRO-MED, INC.
(Registrant)

Date: December 11, 2015

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

By /s/ Joseph P. O'Connell
Joseph P. O'Connell
Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the “**Agreement**”) is made and entered into as of _____, 2015 between Astro-Med, Inc., a Rhode Island corporation (the “**Company**”), and [name] (“**Indemnitee**”).

WITNESSETH THAT:

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the “**Board**”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Articles of Incorporation permit and the Bylaws of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Rhode Island Business Corporation Act (“**RIBCA**”). The Bylaws and the RIBCA expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s shareholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, Indemnitee does not regard the protection available under the Company’s Bylaws and insurance as adequate under the present circumstances and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified.

NOW, THEREFORE , in consideration of Indemnitee's agreement to serve as a director from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding, if the Indemnitee (i) conducted himself in good faith and (ii) reasonably believed (x) in the case of conduct in his Official Capacity (as hereinafter defined), that his conduct was in the best interests of the Company, (y) in all other cases, that his conduct was at least not opposed to the best interests of the Company, and (iii) with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful; provided, however, that, in no event shall Indemnitee be entitled to any such indemnification if prohibited by Section 1(d) hereof.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company and a court of appropriate jurisdiction orders such indemnification. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if it is determined that the Indemnitee has met the relevant standard of conduct set forth in Section 1(a)(i) through (iii) above; provided, however, that, in no event shall Indemnitee be entitled to any such indemnification if prohibited by Section 1(d) hereof.

(c) Indemnification for Expenses of a Party Who is Wholly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is wholly successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him in connection therewith. For purposes of this Section the term "wholly successful, on the merits or otherwise," shall be deemed to include, without limitation, a dismissal of a Proceeding, with or without prejudice, a withdrawal of a Proceeding and a settlement not involving any payment or assumption of liability.

(d) No Indemnification if Improper Personal Benefit. Notwithstanding any other provision of this Agreement, if applicable law so provides, no indemnification of any kind (including against Expenses) shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company on the

basis that he received an improper personal benefit, whether or not involving action in his Official Capacity, unless and then only to the extent that a court of appropriate jurisdiction (which may include the Superior Court for Providence County, Rhode Island or the court in which the Proceeding involving the Indemnitee's liability took place) shall order that such indemnification may be made.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf and to make a payment to Indemnitee of Expenses in advance of the final disposition on any Proceeding if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), in each case to the fullest extent as may be provided for under the Company's Articles of Incorporation, By-Laws, vote of the shareholders or Disinterested Directors (as hereinafter defined) and/or applicable law notwithstanding that any such indemnification or advance of Expenses is not specifically authorized by the other provisions of this Agreement. It is the intent of the parties hereto that in the event of any change, after the date of this Agreement, in any applicable law which expands the right of a Rhode Island corporation to indemnify or make an advance of Expenses to a director or officer to a greater degree than would be afforded currently under the Company's Articles of Incorporation, By-Laws, vote of the shareholders or Disinterested Directors and this Agreement, the Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction or events from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative

benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the transaction or events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors, or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked) to respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. To the maximum extent permitted by the RIBCA, the Company shall pay the Expenses of Indemnitee in advance of the final and non-appealable disposition of any Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a written request for advancement of Expenses. The advance payment of Expenses will be subject to (a) the Company's receipt of a written affirmation by Indemnitee of Indemnitee's good faith belief that Indemnitee met the standard of conduct necessary for indemnification by the Company under this Agreement and a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if a court of appropriate jurisdiction determines that Indemnitee has not met that standard of conduct and (b) a determination that the facts then known to those making the determination would not preclude indemnification under the RIBCA. Advance payment of Expenses will be made without regard to Indemnitee's financial ability to make repayment. Any undertakings to repay advances pursuant to this Section 5 must be an unlimited general obligation of Indemnitee, and any advances pursuant to this Section 5 shall be unsecured and

interest free. Notwithstanding a court determination that Indemnitee has not met the standard of conduct for indemnification, if such determination is being appealed, Indemnitee will not be required to reimburse any Expenses which have been advanced until a final determination (as to which all rights of appeal have been exhausted or lapsed) has been made.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the RIBCA and public policy of the State of Rhode Island. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement (including an advance of Expenses under Section 5 hereof), Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods: (1) if a quorum consisting of Disinterested Directors can be obtained, by a majority vote of a quorum of the Disinterested Directors, (2) if such quorum cannot be obtained, by a committee designated by a majority vote of the full Board (in which designation directors who are not disinterested may participate) consisting solely of two or more Disinterested Directors, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Special Legal Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (4) by a majority vote of the shareholders of the Company. The Company agrees that if there is a Change in Control then with respect to all matters concerning the rights of Indemnitee to indemnification and advance of Expenses under this Agreement, the Company's Articles of Incorporation or By-Laws, any vote of the Company's shareholders or Disinterested Directors, any other agreement, any law or otherwise, such determination shall be made by Special Legal Counsel selected as provided in Section 6(c) hereof.

(c) If the determination of entitlement to indemnification is to be made by Special Legal Counsel pursuant to Section 6(b) hereof, the Special Legal Counsel shall be selected as provided in this Section 6(c). Special Legal Counsel will be selected by (1) a majority vote of Disinterested Directors or (2) if a quorum of Disinterested Directors does not exist, by majority vote of a committee, consisting of two or more Disinterested Directors, which committee is designated by a majority vote of the full Board of Directors, including interested directors or (3) if such a committee cannot be established or if the requisite quorum of the full Board cannot be obtained, by a majority vote of the full Board (in which selection, directors who are not Disinterested Directors may participate). The Company will notify Indemnitee of such

selection. Following receipt of notice of the selection of Special Legal Counsel, Indemnitee may, within ten (10) days after such written notice of selection shall have been given, deliver to the other party a written objection to such selection; provided, however, that such objection may be asserted only on the ground that (1) Special Legal Counsel so selected does not meet the requirements of “ **Special Legal Counsel** ” as defined in Section 13 of this Agreement or (2) is otherwise not well qualified to serve as Special Legal Counsel, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Special Legal Counsel. If a written objection is made and substantiated, the Special Legal Counsel selected may not serve as Special Legal Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof (including an advance of Expenses under Section 5 hereof), no Special Legal Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Superior Court of Providence County, Rhode Island or other court of appropriate jurisdiction for resolution of any objection which shall have been made to the selection of Special Legal Counsel and/or for the appointment as Special Legal Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Special Legal Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Special Legal Counsel incurred by such Special Legal Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Special Legal Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification or advancement of Expenses hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification or advancement of Expenses under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or special legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification or advancement of Expenses is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or special legal counsel) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee’s action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted

in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) Within thirty (30) days after its receipt of a request contemplated by Section 6(a), the Company will make determination as to whether Indemnitee is entitled to the indemnification requested. The determination referred to in the preceding sentence will be made in the manner set forth in Section 6(b) of this Agreement. If such determination has not been made within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law, provided, however, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the shareholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the shareholders for their consideration, (B) an annual meeting or a special meeting of shareholders is called within thirty (30) days after such receipt with a purpose of making such determination, (C) such meeting is held for such purpose within thirty (30) days after having been so called and (D) such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Special Legal Counsel, member of the Board or shareholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or Proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, claim or Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent,

shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. Remedies of Indemnitee

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within thirty(30) days after receipt by the Company of the request for indemnification (or sixty (60) days in the case of the meeting of the shareholders described in Section 6(f) of this Agreement), (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in a court of appropriate jurisdiction located in the State of Rhode Island of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within one hundred eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is

bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. Defense of Claim and Selection of Counsel. In the event the Company shall be obligated under Section 5 hereof to advance Expenses with respect to any Proceeding, the Company, if appropriate, shall be entitled to assume the defense of such Proceeding, with counsel reasonably acceptable to Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided that (a) Indemnitee shall have the right to employ counsel in any such Proceeding at Indemnitee's expense; and (b) if (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such Proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. In addition, if there exists a potential, but not an actual, conflict of interest between the Company and Indemnitee, the actual and reasonable legal fees and expenses incurred by Indemnitee for separate counsel retained by Indemnitee to monitor the Proceeding (so that such counsel may assume Indemnitee's defense if the conflict of interest between the Company and Indemnitee becomes an actual conflict of interest) shall be deemed to be Expenses that are subject to indemnification hereunder. The existence of an actual or potential conflict of interest, and whether such conflict may be waived, shall be determined pursuant to the rules of attorney professional conduct and applicable law. The Company shall not be required to obtain the consent of Indemnitee for the settlement of any Proceeding the Company has undertaken to defend if the Company assumes full and sole responsibility for each such settlement; provided, however, that the Company shall be required to obtain Indemnitee's prior written approval, which shall not be unreasonably withheld, before entering into any settlement which (1) does not grant Indemnitee a complete release of liability, (2) would impose any penalty or limitation on Indemnitee, or (3) would admit any liability or misconduct by Indemnitee.

9. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation .

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation, the By-laws, any agreement, a vote of shareholders,

a resolution of directors of the Company, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the RIBCA, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Articles of Incorporation, By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of such claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such claim in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

10. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for which the Indemnitee is otherwise indemnified or reimbursed; or

(c) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act, or similar provisions of state statutory law or common law; or

(d) for Indemnitee's reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(e) with respect to a Proceeding in which a final judgment or other final adjudication determines that the Indemnitee is liable to the Company or its shareholders for: (i) a breach of the Indemnitee's duty of loyalty to the Company or its shareholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law; (iii) liability imposed pursuant to the provisions of Section 7-1.2-811 of the RIBCA; or (iv) any transaction (other than a transaction approved in accordance with Section 7-1.2-807 of the RIBCA) from which the Indemnitee derived an improper personal benefit; or

(f) if a final judgment or other final adjudication determines that such payment is unlawful; or

(g) in connection with proceedings or claims involving the enforcement of non-competition and/or non-disclosure agreements or the non-competition and/or non-disclosure provisions of employment, consulting or similar agreements that the Indemnitee may be a party to with the Company, or any subsidiary of the Company or any other applicable foreign or domestic corporation, partnership, joint venture, trust or other enterprise, if any; or

(h) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, except with respect to an action, suit or proceeding brought to establish or enforce a right to indemnification (which shall be governed by the provisions of Section 7 of this Agreement), unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

11. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall

continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

12. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

13. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company. Indemnitee acknowledges that in certain instances, applicable law (including, without limitation, federal securities laws, the Employee Retirement Security Act of 1974 and other federal laws that may preempt or override applicable state law) or public policy may prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. Nothing herein shall be construed to provide indemnification where such indemnification is prohibited as described in the preceding sentence.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

14. Definitions. For purposes of this Agreement:

(a) “ **Change in Control** ” means:

(i) the acquisition of more than 50% of the beneficial ownership of the combined voting securities of the Company by any person or group (as such terms are used in Section 13(d) and 14(d) of the Exchange Act), other than the Company or its subsidiaries or any employee benefit plan of the Company or any person who was an officer or director of the Company on the date of this Agreement;

(ii) consummation by the Company of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the voting securities of such entity immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or

indirectly, securities representing more than 50% of the voting power of then outstanding voting securities of the corporation resulting from such a reorganization, merger or consolidation;

(iii) the sale, exchange or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company (on a consolidated basis) to a party which is not controlled by or under common control with the Company; or

(iv) a change in the composition of the Board during any period of twenty-four months (not including any period prior to the date of this Agreement), such that the individuals who at the beginning of such period, constitute the Board (such Board shall be hereinafter referred to as the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this paragraph, that any individual who becomes a member of the Board subsequent to the date hereof, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least two-thirds (2/3) of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of “Persons” (as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act) other than the Board shall not be so considered as a member of the Incumbent Board.

(b) “**Corporate Status**” describes the status of an individual who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such individual is or was serving at the express written request of the Company.

(c) “**Disinterested Director**” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) “**Enterprise**” shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(e) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(f) “**Expenses**” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a

witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “ **Official Capacity** ” shall mean. (i) when used with respect to a director, the office of director in the Company and (ii) when used with respect to an officer, the office in the Company held by the officer, but does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, other enterprise or employee benefit plan.

(h) “ **Proceeding** ” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of his or her Corporate Status, by reason of any action taken by him or of any inaction on his part while acting in his or her Corporate Status; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

(i) “ **Special Legal Counsel** ” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past three years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Special Legal Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. Special Legal Counsel shall be selected in the manner set forth in Section 6(c). The Company agrees to pay the reasonable fees of the Special Legal Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

15. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

16. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

18. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee signature hereto.

(b) To the Company at:

Astro-Med, Inc.
600 East Greenwich Avenue
West Warwick, RI 02893
Attention: Corporate Secretary

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

19. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.* , www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

20. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

21. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Rhode Island, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Superior Court

of Providence County, State of Rhode Island, or any other court of appropriate jurisdiction located in the State of Rhode Island (the “**Rhode Island Court**”), (ii) consent to submit to the exclusive jurisdiction of the Rhode Island Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) consent to service of process in connection with any such action or proceeding against such party by any method permitted under the rules of the Rhode Island Court (including, if so permitted, by mail), (iv) waive any objection to the laying of venue of any such action or proceeding in the Rhode Island Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Rhode Island Court has been brought in an improper or inconvenient forum.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

COMPANY

By: _____
Name: _____
Title: _____

INDEMNITEE

Name: _____
Address: _____

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 Astro-Med, 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: December 11, 2015

/s/ Gregory A. Woods

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

CERTIFICATION

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

I, Joseph P. O'Connell certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Astro-Med, 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: December 11, 2015

/s/ Joseph P. O'Connell

Joseph P. O'Connell,
Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

**ASTRO-MED, 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 Astro-Med, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Woods, President, Chief Executive Officer and Director, 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: December 11, 2015

/s/ Gregory A. Woods

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 Astro-Med, Inc. and will be retained by Astro-Med, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

ASTRO-MED, 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 Astro-Med, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph P. O'Connell, Senior Vice President, Treasurer and Chief Financial 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: December 11, 2015

/s/ Joseph P. O'Connell

Joseph P. O'Connell,
Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

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