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 November 1, 2014

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)**	**05-0318215** **(I.R.S. Employer Identification No.)**
600 East Greenwich Avenue, West Warwick, Rhode Island **(Address of principal executive offices)**	**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 – 7,239,496 shares
(excluding treasury shares) as of December 5, 2014

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ASTRO-MED, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	November 1, 2014 (Unaudited)	January 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 13,272	$ 8,341
Securities Available for Sale	17,631	18,766
Accounts Receivable, net	13,766	11,366
Inventories	16,424	15,178
Deferred Tax Assets	1,701	1,673
Restricted Cash	—	1,800
Line of Credit Receivable	180	240
Note Receivable	250	250
Asset Held for Sale	2,120	2,120
Prepaid Expenses and Other Current Assets	3,666	1,383
Current Assets of Discontinued Operations	—	3,917
Total Current Assets	69,010	65,034
PROPERTY, PLANT AND EQUIPMENT	36,540	34,960
Less Accumulated Depreciation	(28,275)	(27,368)
Property, Plant and Equipment, net	8,265	7,592
OTHER ASSETS		
Note Receivable	253	440
Deferred Tax Assets	270	313
Intangible Assets	2,873	3,400
Goodwill	991	991
Other	91	194
Total Other Assets	4,478	5,338
TOTAL ASSETS	$ 81,753	$ 77,964
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 4,432	$ 2,374
Accrued Compensation	3,279	3,130
Other Liabilities and Accrued Expenses	2,253	2,310
Deferred Revenue	492	454
Income Taxes Payable	113	788
Current Liabilities of Discontinued Operations	—	836
Total Current Liabilities	10,569	9,892
Long Term Obligations	42	250
Deferred Tax Liabilities	39	77
Other Long Term Liabilities	1,007	1,131
TOTAL LIABILITIES	11,657	11,350
SHAREHOLDERS' EQUITY		
Common Stock, $0.05 Par Value, Authorized 13,000,000 shares; Issued 9,513,370 shares and 9,291,225 shares at November 1, 2014 and January 31, 2014, respectively	476	465
Additional Paid-in Capital	43,191	41,235
Retained Earnings	39,700	37,201
Treasury Stock, at Cost, 1,776,121 shares and 1,730,042 shares at November 1, 2014 and January 31, 2014, respectively	(13,091)	(12,463)
Accumulated Other Comprehensive Income (Loss)	(180)	176
TOTAL SHAREHOLDERS' EQUITY	70,096	66,614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 81,753	$ 77,964

See Notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net Sales	$ 23,137	$ 18,179	$ 66,277	$ 50,858
Cost of Sales	12,985	10,816	37,901	30,796
Product Replacement Related Costs	—	—	—	672
Gross Profit	10,152	7,363	28,376	19,390
Operating Expenses:				
Selling and Marketing	4,606	3,727	13,483	10,680
Research and Development	1,564	1,230	4,414	3,617
General and Administrative	1,407	1,223	4,041	3,745
Operating Expenses	7,577	6,180	21,938	18,042
Operating Income, net	2,575	1,183	6,438	1,348
Other Expense	(46)	(2)	(85)	(64)
Income from Continuing Operations before Income Taxes	2,529	1,181	6,353	1,284
Income Tax Provision for Continuing Operations	974	436	2,235	446
Income from Continuing Operations	1,555	745	4,118	838
Income from Discontinued Operations, net of tax benefit of $89 and tax expense of $333 for the three and nine months ended November 2, 2013, respectively	—	363	—	517
Net Income	$ 1,555	$ 1,108	$ 4,118	$ 1,355
Net Income per Common Share—Basic:				
From Continuing Operations	$ 0.20	$ 0.10	$ 0.54	$ 0.11
From Discontinued Operations	—	0.05	—	0.07
Net Income Per Common Share—Basic	$ 0.20	$ 0.15	$ 0.54	$ 0.18
Net Income per Common Share—Diluted:				
From Continuing Operations	$ 0.20	$ 0.10	$ 0.52	$ 0.11
From Discontinued Operations	—	0.04	—	0.07
Net Income Per Common Share—Diluted	$ 0.20	$ 0.14	$ 0.52	$ 0.18
Weighted Average Number of Common Shares Outstanding:				
Basic	7,730	7,490	7,678	7,449
Diluted	7,926	7,716	7,897	7,650
Dividends Declared Per Common Share	$ 0.07	$ 0.07	$ 0.21	$ 0.21

See Notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net Income	$ 1,555	$ 1,108	$ 4,118	$ 1,355
Other Comprehensive Income (Loss), Net of Taxes and Reclassification Adjustments:				
Foreign Currency Translation Adjustments	(307)	137	(348)	(56)
Unrealized Holding Gain (Loss) on Securities Available for Sale	(6)	14	(8)	18
Other Comprehensive Income (Loss)	(313)	151	(356)	(38)
Comprehensive Income	$ 1,242	$ 1,259	$ 3,762	$ 1,317

See Notes to condensed consolidated financial statements (unaudited).

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

	Nine Months Ended	
	November 1, 2014	November 2, 2013
Cash Flows from Operating Activities:		
Net Income	$ 4,118	$ 1,355
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,541	951
Share-Based Compensation	381	406
Deferred Income Tax Provision (Benefit)	(23)	192
Changes in Assets and Liabilities:		
Accounts Receivable	(2,400)	(3,368)
Inventories	(1,245)	(1,039)
Income Taxes	(1,349)	(4,940)
Accounts Payable and Accrued Expenses	1,984	1,087
Other	(1,223)	362
Net Cash Provided (Used) by Operating Activities	1,784	(4,994)
Cash Flows from Investing Activities:		
Proceeds from Sales/Maturities of Securities Available for Sale	10,585	7,940
Purchases of Securities Available for Sale	(9,462)	(19,056)
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	248	—
Additions to Property, Plant and Equipment	(1,719)	(910)
Net Cash Provided (Used) by Investing Activities	3,807	(12,026)
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	959	564
Dividends Paid	(1,619)	(1,569)
Net Cash Used by Financing Activities	(660)	(1,005)
Net Increase (Decrease) in Cash and Cash Equivalents	4,931	(18,025)
Cash and Cash Equivalents, Beginning of Period	8,341	30,999
Cash and Cash Equivalents, End of Period	$ 13,272	$ 12,974
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for Income Taxes, Net of Refunds	$ 3,602	$ 4,881

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 and Europe as well as with independent dealers and representatives. Astro-Med, Inc. products are sold under the brand names Astro-Med ® Test & Measurement and QuickLabel ® Systems and 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.

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 by Astro-Med 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, 2014.

On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group (Grass). The Company has classified the results of operations of its Grass segment as discontinued operations for the three and nine months periods ended November 2, 2013. Refer to Note 15, “Discontinued Operations,” for further details.

On January 22, 2014, Astro-Med completed the acquisition of the ruggedized printer product line from Miltope Corporation, a company of VT Systems (“Miltope”). Astro-Med’s ruggedized printer product line is part of the Ruggedized product group and is reported as part of the Test & Measurement (T&M) segment. The results of the Miltope’s ruggedized printer product line operations have been included in the condensed consolidated financial statements of the Company for the three and nine months periods ended November 1, 2014. Refer to Note 4, “Acquisition,” for further details.

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 January 22, 2014, Astro-Med completed the acquisition of the ruggedized printer product line from Miltope, which is engaged in the design, development, manufacture and testing of ruggedized computers and computer peripheral equipment for military, industry and commercial avionics applications. Astro-Med’s ruggedized printer product line is part of the Ruggedized product group and is reported as part of the T&M segment. The results of the Miltope’s ruggedized printer product line operations have been included in the condensed consolidated financial statements for the three and nine months periods ended November 1, 2014 as presented.

The purchase price of the acquisition was $6,732,000 which was funded using existing cash on hand. Of the $6,732,000 purchase price, $500,000 is being held in escrow for twelve months following the acquisition date to provide an indemnity to the Company in the event of any breach in the representations, warranties and covenants of Miltope. The assets acquired consist of all of the assets of the Miltope ruggedized printer product line excluding plant and equipment and personnel. The acquisition was accounted for under the acquisition method in accordance with the guidance provided by FASB ASC 805, "Business Combinations."

As part of the acquisition, Miltope and Astro-Med entered into a manufacturing services agreement under which Miltope provided transition services and continued to manufacture printers for Astro-Med. This agreement concluded in the third quarter of the current year, as the Company has transitioned all the manufacturing to its West Warwick, Rhode Island facility.

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

(In thousands)	
Accounts Receivable	$ 713
Inventories	2,503
Identifiable Intangible Assets	3,400
Goodwill	196
Warranty Reserve	(80)
Total Purchase Price	$6,732

The following unaudited pro forma information assumes the acquisition of Miltope occurred on February 1, 2013. This information has been prepared for informational purposes only and does not purport to represent the results of operations that would have happened had the acquisition occurred as of the date indicated, nor of future results of operations.

(In thousands)	Three Months Ended November 2, 2013	Nine Months Ended November 2, 2013
Net Sales	$20,179	$56,858

The impact on net income and earnings per share would not have been material to the Company in fiscal 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, 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:

	Three Months Ended		Nine Months Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Weighted Average Common Shares Outstanding—Basic	7,729,530	7,489,690	7,677,751	7,449,251
Effect of Dilutive Options, Restricted Stock Awards and Restricted Stock Units	196,620	226,130	219,310	200,763
Weighted Average Common Shares Outstanding—Diluted	7,926,150	7,715,820	7,897,061	7,650,014

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. For the three and six months ended November 2, 2013, the diluted per share amounts do not reflect common equivalent shares outstanding of 131,600 and 172,100, respectively. These outstanding options were not included due to their anti-dilutive effect, as the exercise price was greater than the average market price of the underlying stock during the period presented.

(6) Share-Based Compensation

Astro-Med has one equity incentive plan (the “Plan”) under which incentive stock options, non-qualified stock options, restricted stock units (“RSUs”), restricted stock awards (“RSAs”) and other equity based awards may be granted to directors, officers and certain employees. An aggregate of 1,000,000 shares were authorized for awards under the Plan. At November 1, 2014, 205,164 shares were available for grant under the Plan. Options granted to employees vest over four years. The exercise price of each stock option will be established at the discretion of the Compensation Committee; however, any incentive stock options granted must be at an exercise price of not less than fair market value at the date of grant. In fiscal year 2013, a portion of the Company’s executive’s 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, the Company granted options and RSUs to officers (“2014 RSUs”). Each 2014 RSU will be earned and vest as follows: twenty-five percent of the 2014 RSU vests on the third anniversary of the grant date, fifty percent of the 2014 RSU vests upon the Company achieving its cumulative budgeted net sales target for fiscal years 2014 through 2016 (the “Measurement Period”), and twenty-five percent of the total 2014 RSU vests upon the Company’s 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 RSU until the first anniversary of the vesting date.

The Plan provides for an automatic annual grant of ten-year options to purchase 5,000 shares of stock to each non-employee director upon the adjournment of each shareholders’ meeting. Each such option is exercisable at the fair market value as of the grant date and vests immediately prior to the next succeeding shareholders’ meeting. In addition to the automatic option grant under Plan, 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, effective August 1, 2014, the Chairman of the Board also receives an annual retainer of $6,000 and the Chair of the Audit Committee and Compensation Committee each receive an annual retainer of $4,000 each (“Chair Retainer”). The non-employee director 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 the Plan. 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 such common stock on the date such installment is payable. The common stock received in lieu of such Cash Retainer will be fully vested. 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 nonemployee director, or a change in control of the Company, any shares of common stock issued in lieu of such Cash Retainer, shall no longer be subject to such restrictions on transfer.

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 at 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.

We account for compensation cost related to share-based payments based on fair value of the stock options, RSUs and RSAs when awarded to an employee or director. We have estimated 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 dividend yield. The stock price volatility assumption is based on the historical weekly price data 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 the 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 the RSUs and RSAs is based on the closing market price of the Company’s common stock on the grant date of the RSU or RSA.

Share-based compensation expense was recognized as follows:

(In thousands)	Three Months Ended November 1, 2014	Three Months Ended November 2, 2013	Nine Months Ended November 1, 2014	Nine Months Ended November 2, 2013
Stock Options	$ 64	$ 46	$ 179	$ 140
Restricted Stock Awards and Restricted Stock Units	58	81	202	266
Total	$ 122	$ 127	$ 381	$ 406

Stock Options

The fair value of stock options granted during the nine months ended November 1, 2014 and November 2, 2013 was estimated using the following assumptions:

	Nine Months Ended November 1, 2014	Nine Months Ended November 2, 2013
Risk Free Interest Rate	1.6%	0.8%
Expected Volatility	26.8%	38.3%
Expected Life (in years)	5.0	5.0
Dividend Yield	2.0%	2.6%

The weighted average fair value per share for options granted was $2.43, $2.93 and $2.84, during the first, second and third quarters of fiscal 2015, respectively, compared to $2.79 during the first and second quarters of fiscal 2014. No options were granted during the third quarter of fiscal 2014.

Aggregated information regarding stock options granted under the Plan for the nine months ended November 1, 2014 is summarized below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at January 31, 2014	736,647	$ 8.63	4.7	$ 3,707,000
Granted	155,600	13.98		
Exercised	(188,393)	8.56		
Expired or canceled	(10,787)	9.07		
Outstanding at November 1, 2014	693,067	$ 9.84	5.9	$ 2,485,570
Exercisable at November 1, 2014	449,493	$ 8.62	4.2	$ 2,088,870

As of November 1, 2014, there was $518,000 of unrecognized compensation expense related to unvested options, which will be recognized through August 2018.

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

Aggregated information regarding RSUs and RSAs granted under the Plan for the nine months ended November 1, 2014 is summarized below:

	RSAs & RSUs	Weighted Average Grant Date Fair Value
Unvested at January 31, 2014	106,496	$ 9.12
Granted	7,245	13.80
Vested	(35,662)	8.75
Forfeited	(5,834)	10.07
Unvested at November 1, 2014	72,245	$ 9.70

As of November 1, 2014, there was $286,000 of unrecognized compensation expense related to unvested RSUs and RSAs which will be recognized through April 2016.

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 quarters ended November 1, 2014 and November 2, 2013, there were 872 and 886 shares respectively, purchased under this plan. During the nine months ended November 1, 2014 and November 2, 2013, there were 2,464 and 3,152 shares respectively, purchased under this plan. As of November 1, 2014, 57,778 shares remain available.

(7) 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)	November 1, 2014	January 31, 2014
Materials and Supplies	$ 10,671	$ 10,722
Work-In-Process	1,493	852
Finished Goods	7,859	6,798
	20,023	18,372
Inventory Reserve	(3,599)	(3,194)
	$ 16,424	$ 15,178

(8) Income Taxes

The Company's effective tax rates for income from continuing operations based on the projected effective tax rate for the full year, are as follows:

	Three Months Ended	Nine Months Ended
Fiscal 2015	38.5%	35.2%
Fiscal 2014	36.9%	34.7%

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 under accrual of the 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 three months ended November 2, 2013, the Company recognized income tax expense on income from continuing operations of $436,000 which includes a benefit of approximately $18,000 recorded as the result of a favorable adjustment in the filing of a prior year's tax return.

During the nine months ended November 1, 2014, the Company recognized an income tax expense of approximately $2,235,000. The effective tax rate in this quarter was directly impacted by an $80,000 tax expense related to the under accrual of the prior year's state taxes and offset by a tax benefit of $141,000 related to the favorable resolution of a previously uncertain tax position. During the nine months ended

November 2, 2013, the Company recognized an income tax expense of approximately $446,000 which included an expense of $464,000 on nine month pretax income from continuing operations and a benefit of $18,000 related to the favorable adjustment in the filing of the prior year's tax returns.

As of November 1, 2014, the Company's cumulative unrecognized tax benefits totaled $650,000 compared to $715,000 as of January 31, 2014. There were no developments affecting unrecognized tax benefits during the quarter ended November 1, 2014.

(9) 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 fully secured by a first lien on various collateral, including the Asheboro plant and plant assets. The note bears interest at 3.75% is payable in sixteen quarterly installments of principal and interest which commenced on January 30, 2013. The note receivable is disclosed at its present value on the accompanying condensed consolidated balance sheets. As of November 1, 2014, $503,000 remains outstanding on this note.

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 fully 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. Although the initial term was for a period of one-year from the date of the sale, the agreement has been extended through January 31, 2015. As of November 1, 2014, $180,000 remains outstanding on this revolving line of credit.

(10) Segment Information

Astro-Med reports two segments: QuickLabel Systems (QuickLabel) and Test & Measurement (T&M). On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group (Grass) in order to focus on its existing core businesses. The Company has classified the results of operations of Grass as discontinued operations for the three and nine months ended November 2, 2013. Refer to Note 15, "Discontinued Operations" for a further discussion.

On January 22, 2014, Astro-Med completed the acquisition of the ruggedized printer product line from Miltope. Astro-Med's ruggedized printer product line is part of the Ruggedized product group and is reported as part of the T&M segment. The results of the Miltope's ruggedized printer product line operations have been included below for the three and nine months periods ended November 1, 2014. Assuming the acquisition of Miltope occurred on February 1, 2013 the Company's net sales (on a pro forma basis) for the three and nine months periods ended November 2, 2013 would have been $20,179,000 and $56,858,000, respectively. Refer to Note 4, "Acquisition," for further details.

The Company evaluates segment performance based on the segment profit before corporate expenses.

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

	Three Months Ended				Nine Months Ended			
	Net Sales		Segment Operating Profit		Net Sales		Segment Operating Profit	
	November 1,	November 2,	November 1,	November 2,	November 1,	November 2,	November 1,	November 2,
(In thousands)	2014	2013	2014	2013	2014	2013	2014	2013
QuickLabel	$ 15,252	$ 12,509	$ 1,959	$ 1,494	$ 44,931	$ 36,102	$ 6,405	$ 3,962
T&M	7,885	5,670	2,023	912	21,346	14,756	4,074	1,803
Total	$ 23,137	$ 18,179	3,982	2,406	$ 66,277	$ 50,858	10,479	5,765
Product Replacement Related Costs			—	—			—	672
Corporate Expenses			1,407	1,223			4,041	3,745
Operating Income			2,575	1,183			6,438	1,348
Other Expense—Net			(46)	(2)			(85)	(64)
Income From Continuing Operations Before Income Taxes			2,529	1,181			6,353	1,284
Income Tax Provision			974	436			2,235	446
Income From Continuing Operations			1,555	745			4,118	838
Income From Discontinued Operations, Net of Income Taxes			—	363			—	517
Net Income			$ 1,555	$ 1,108			$ 4,118	$ 1,355

(11) Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 and is effective for public entities for interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted and 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.

Discontinued Operations

In April 2014, the FASB issued ASU 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity .” ASU 2014-08 limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. In addition, this ASU expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of a discontinued operation. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. We are currently evaluating the impact of the adoption of ASU 2014-08 and do not expect it to have a material effect on the Company’s financial position or results of operations.

Income Taxes

In July 2013, the FASB issued ASU 2013-11, “Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,” which requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date, the unrecognized tax benefit should be presented in the financial statements as a liability. This ASU is effective for annual and interim periods beginning after December 15, 2013, with early adoption permitted. The adoption of this guidance did not have a material effect on the Company’s financial position or results of operations.

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.

(12) 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 43 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) November 1, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and Municipal Obligations	$ 17,605	$ 28	$ (2)	$ 17,631

January 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and Municipal Obligations	$ 18,729	$ 37	$ —	$ 18,766

(13) 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 (including short term investment money market funds with original maturity of less than 90 days), accounts receivables, 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) November 1, 2014	Level 1	Level 2	Level 3	Total
Money Market Funds (included in Cash and Cash Equivalents)	$5,954	$ —	$ —	$ 5,954
State and Municipal Obligations (included in Securities Available for Sale)	—	17,631	—	17,631
Total	$5,954	$17,631	$ —	$23,585

January 31, 2014	Level 1	Level 2	Level 3	Total
Money Market Funds (included in Cash and Cash Equivalents)	$4,734	$ —	$ —	$ 4,734
State and Municipal Obligations (included in Securities Available for Sale)	—	18,766	—	18,766
Total	$4,734	$18,766	$ —	$23,500

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.

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(14) Accumulated Other Comprehensive Income (Loss)

The changes in the balance of accumulated other comprehensive income (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, 2014	$ 152	$ 24	$ 176
Other Comprehensive Income (Loss)	(348)	(8)	(356)
Amounts reclassified to Net Income	—	—	—
Net Other Comprehensive Income (Loss)	(348)	(8)	(356)
Balance at November 1, 2014	$ (196)	$ 16	$(180)

The amounts presented above in other comprehensive income (loss) are net of taxes.

(15) Discontinued Operations

On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group (Grass) which manufactured polysomnography and electroencephalography systems and related accessories and propriety electrodes for use in both research and clinical settings for $18.6 million in cash, of which $1.8 million was held in escrow and received in the first quarter of the current year. The assets sold consisted primarily of working capital (exclusive of inventory and accounts payable related to manufacturing), the engineering, sales and support workforce, intellectual property and certain other related assets.

As part of this transaction, Astro-Med entered into a Transition Service Agreement (TSA) with the purchaser pursuant to which the Company agreed to provide transition services and continue to manufacture Grass products for the purchaser for a period not to exceed twelve months following the sale closing date. The Company determined that cash flows from this activity were not significant and therefore Grass has been disclosed as a discontinued operation for the fiscal 2014 periods presented. The TSA expired on January 31, 2014 and the Company is no longer reporting discontinued operations in fiscal 2015.

In accordance with the terms of the TSA agreement, the purchaser was obligated to acquire the remaining Grass inventory upon expiration of the TSA on January 31, 2014. In connection with the disposition of the inventory previously included in discontinued operations, the Company received $2,355,000 in the first quarter of fiscal 2015 from the purchaser of Grass related to the disposition of this inventory. Any future services related to Grass post fiscal 2014 have not been, and are not expected to be material.

Results for discontinued operations are as follows:

(In thousands)	Three Months Ended November 2, 2013	Nine Months Ended November 2, 2013
Net Sales	$ 2,485	$ 6,201
Gross Profit	$ 290	$ 668
Income from Discontinued Operations	$ 363	$ 517

As a result of the sale of the Grass assets, the Company is in the process of selling its facility located in Rockland, Massachusetts, which was the former location of Grass production. This property is being actively marketed with sale considered probable within the next twelve months and accordingly, the property is classified in current assets as an Asset Held for Sale in the accompanying condensed consolidated balance sheets.

(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 and are included in the cost of sales in the accompanying condensed consolidated statement of income for the nine months ended November 2, 2013. As of November 1, 2014, the Company had expended $271,000 in replacement costs which have been charged against this reserve. The remaining reserve amount of $402,000 is included in Other Accrued Expenses in the accompanying condensed consolidated balance sheet dated November 1, 2014.

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. This settlement was recorded in cost of sales during the fourth quarter of the fiscal year ended January 31, 2014. In addition to this cash settlement, the Company will receive lower product prices from the supplier through fiscal 2017.

(17) Line of Credit

On September 5, 2014, Astro-Med entered into a new unsecured revolving line of credit agreement with Wells Fargo Bank to replace the previous agreement which expired on May 30, 2014. The terms of the new agreement are for a three-year, $10 million revolving line of credit to be available to the Company to be used for ongoing working capital requirements, business acquisitions or general corporate purposes as needed. Any borrowings made under the new 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. In addition, the new agreement provided 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 the November 1, 2014, there have been no borrowings against this line of credit and the Company was in compliance with its financial covenants.

(18) Subsequent Event

On December 5, 2014, the Company repurchased 500,000 shares of the Company’s common stock from the Estate of Albert W. Ondis for an aggregate purchase price of $6,250,000. Prior to entering into the Stock Purchase Agreement, the Company obtained an opinion from an independent investment banking firm as to the fairness, from a financial point of view, to the public shareholders of the Company other than the selling shareholders, of the consideration paid by the Company in the transaction. The purchase was funded using existing cash on hand. In regards to this transaction, the Company has filed a current report on Form 8-K dated December 5, 2014, which included, the Stock Repurchase Agreement dated December 4, 2014 as Exhibit 10.

Item 2.

ASTRO-MED, INC.
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, 2014.

Astro-Med is a multi-national enterprise, which designs, develops, manufactures, distributes and services 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. We market and sell our products and services through the following two segments:

- QuickLabel Systems (QuickLabel)—offers label printer hardware, labeling software, service contracts and label and ink consumable products that digitally print color labels on a broad range of label and tag substrates.
- Test and Measurement (T&M)—offers a suite of ruggedized printer products designed primarily for military and commercial aerospace applications to be used to print weather maps, communications and other critical flight information. T&M also offers a suite of telemetry recorder products sold to the aerospace and defense industries, as well as portable data acquisition recorders, which offer diagnostic and test functions to a wide range of manufacturers including automotive, energy, paper and steel fabrication.

On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group (Grass) in order to focus on its existing core businesses. Consequently, the Company has classified the results of operations of its Grass segment as discontinued operations for the three and nine months ended November 2, 2013 periods presented.

On January 22, 2014, Astro-Med completed the acquisition of the Ruggedized Printer Product line from Miltope Corporation (Miltope), which is engaged in the design, development, manufacture and testing of ruggedized computers and computer peripheral equipment for military, industry and commercial applications. Astro-Med's ruggedized printer product line is part of the Ruggedized product group and is reported as part of the T&M segment. Miltope sales for the third quarter and nine months ended November 1, 2014 were approximately $2.1 million and $5.9 million, respectively, and the results of the Miltope's ruggedized printer product line operations have been included in the condensed consolidated statements of operations for the three and nine months ended November 1, 2014.

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.

Results of Operations

Three Months Ended November 1, 2014 vs. Three Months Ended November 2, 2013

Net sales by segment and current quarter percentage change over prior year for the three months ended November 1, 2014 and November 2, 2013 were:

(Dollars in thousands)	November 1, 2014	As a % of Net Sales	November 2, 2013	As a % of Net Sales	% Change Over Prior Year
QuickLabel	$ 15,252	65.9 %	$ 12,509	68.8 %	21.9 %
T&M	7,885	34.1 %	5,670	31.2 %	39.1 %
Total	$ 23,137	100.0 %	$ 18,179	100.0 %	27.3 %

Net sales for the third quarter of the current year were $23,137,000, representing a 27.3% increase as compared to the previous year's third quarter sales of $18,179,000 and a 3.4% increase as compared to current year's second quarter sales of $22,366,000. Sales through the domestic channels for the current quarter were $16,526,000, an increase of 25.2% over the prior year's third quarter and an 8.9% increase compared to current year's second quarter domestic sales of $15,176,000. International sales for the third quarter of the current year were $6,611,000, representing a 32.7% increase from the previous year, however an 8.1% decrease as compared to the current year's second quarter international sales of $7,190,000. Current year's third quarter international sales includes an unfavorable foreign exchange rate impact of $161,000.

Hardware sales in the current quarter were $10,603,000, a 36.6% increase as compared to prior year's third quarter sales of $7,762,000. Both segments contributed to the current quarter increase, as hardware sales were up 45.8% in the QuickLabel segment and 32.2% in the T&M segment compared to prior year third quarter. Contributing to the current period increase in hardware sales was the Ruggedized product line, as the sale of the ruggedized printers from the January 2014 acquisition of Miltope provided a notable contribution to the hardware sales volume. The increase in current quarter hardware sales is also due to strong sales of QuickLabel's digital color printer lines. Consumables sales in the current quarter were $10,979,000, representing a 16.6% increase over prior year's third quarter consumable sales of $9,419,000. The current quarter increase in consumable sales as compared to the third quarter of the prior year is attributable to a double-digit increase in sales of digital color printer supplies and the label and tag products within the QuickLabel segment.

Service and other revenues of $1,555,000 in the current quarter were up 55.8% from prior year's third quarter service and other revenues of $998,000, primarily due to the increase in repairs and parts revenue during the quarter.

Current year third quarter gross profit was $10,152,000, representing a 37.9% improvement as compared to prior year's third quarter gross profit of $7,363,000. The Company's gross profit margin of 43.9% in the current quarter also reflects an increase from the prior year's third quarter gross profit margin of 40.5%. The higher gross profit and related margin for the current quarter as compared to prior year is primarily attributable to higher sales, improved product mix and the Company's ongoing productivity improvements.

Operating expenses for the current quarter were $7,577,000, an increase as compared to prior year's third quarter operating expenses of $6,180,000. The Company expanded funding of selling and marketing activities, with additional personnel and related commissions costs, as well as increased spending on targeted marketing and trade shows. G&A expenses for the third quarter were $1,407,000 as compared to $1,223,000 in the prior year. The increase is due to increases in wages and benefits. R&D expenses increased in the current quarter as compared to the prior year, as the Company continued to expand its R&D initiatives in the current quarter with new product programs and outside services aimed at growing the business. Although current quarter R&D of $1,564,000 was an increase as compared to $1,230,000 in the prior year's third quarter, R&D spending was maintained at 6.8% of sales for both periods.

The provision for federal, state and foreign taxes on continuing operations for the third quarter of the current year was $974,000 and reflects an effective tax rate of 38.5%. The effective tax rate was directly impacted by an $80,000 tax expense related to the under accrual of the prior year's state taxes and offset by a $41,000 tax benefit related to the favorable resolution of a previously uncertain tax position. This compares to the prior year's third quarter provision on income from continued operations of $436,000, which include a benefit of $18,000 related to the favorable adjustment in the filing of a prior year's tax return and reflected an effective tax rate of 36.9%.

The Company reported income from continuing operations of $1,555,000 for the third quarter of the current year, reflecting a return on sales of 6.7% and generating EPS of $0.20 per diluted share, as compared to the prior year's third quarter income from continuing operations of $745,000, reflecting a return on sales of 4.1% and related $0.10 per diluted share.

Discontinued Operation

On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group for a purchase price of $18,600,000. The Company has classified the results of operations of its Grass segment as discontinued operations for the fiscal 2014 period presented.

Results for discontinued operations are as follows:

(In thousands)	Three Months Ended November 2, 2013
Net Sales	$ 2,485
Gross Profit	$ 290
Income from Discontinued Operations	$ 363

Nine Months Ended November 1, 2014 vs. Nine Months Ended November 2, 2013

Net sales by segment and current quarter percentage change over prior year for the nine months ended November 1, 2014 and November 2, 2013 were:

(Dollars in thousands)	November 1, 2014	As a % of Net Sales	November 2, 2013	As a % of Net Sales	% Change Over Prior Year
QuickLabel	$ 44,931	*67.8 %*	$ 36,102	*71.0 %*	*24.5 %*
T&M	21,346	*32.2 %*	14,756	*29.0 %*	*44.7 %*
Total	$ 66,277	*100.0 %*	$ 50,858	*100.0 %*	*30.3 %*

Net sales for the first nine months of the current year were $66,277,000, representing a 30.3% increase as compared to the previous year's sales of $50,858,000. Sales through the domestic channels for the nine months of the current year were $46,325,000, an increase of 28.8% over the prior year. International shipments for the first nine months of the current year were $19,952,000, representing a 34.0% increase from the previous year. The current year's first nine months international sales include a favorable foreign exchange rate impact of $132,000.

Hardware sales in the first nine months of the current year were $29,076,000, a 42.0% increase compared to prior year sales of $20,471,000. Both product groups experienced growth in the current year, with QuickLabel hardware sales at $10,612,000, a 52.7% increase from prior year sales of $6,948,000 and T&M hardware sales at $18,464,000, a 36.5% increase as compared to prior year sales of $13,524,000. The prime contributor to the current year's increase was sales of T&M's Ruggedized product line as well as QuickLabel's new Kairo! product line.

Consumables sales in first half of the current year were $32,738,000, representing an 18.9% increase over prior year's first nine months sales of $27,525,000. The current year increase in consumable sales is primarily due to the double-digit increase in both label and tag products, as well as the digital color printer supplies product line in the QuickLabel segment.

Service and other revenues of $4,463,000 in the first nine months of the current year were up 56.0% from prior year's first nine months service and other revenues of $2,862,000, primarily due to the increase in repairs and parts.

Current year first nine months gross profit was $28,376,000, reflecting a 46.3% improvement as compared to prior year's first nine months gross profit of $19,390,000. The Company's gross profit margin of 42.8% in the current year also reflects an increase from the prior year's first nine months gross profit margin of 38.1%. The higher gross profit and related margin for the current year as compared to prior year is primarily attributable to increased sales, product mix and the Company's ongoing lean manufacturing incentives. The prior year's gross profit and related margin includes a charge of $672,000 in product replacement program costs related to a reserve established to address a non-compliant component used in certain models of ToughWriter printers.

Operating expenses for the first nine months of the fiscal year were $21,938,000, an increase as compared to prior year's first nine months operating expenses of $18,042,000. Specifically, selling and marketing expenses for the current year increased as compared to the previous year's first nine months due to additional personnel and related benefit and commission costs, as well as an increase in targeted marketing and trade show expenditures. G&A expenses increased to $4,041,000 in the first nine months of the current year as compared to prior year's first nine months G&A expenses of $3,745,000, primarily due to an increase in professional fees. Investment in R&D in the first nine months of the current year of $4,414,000 increased compared to prior year's first nine months investment of $3,617,000, the increment was due primarily to the expansion of new product programs. Current year spending in R&D represents 6.7% of sales as compared to prior year's first nine months level of 7.1%.

Operating income of $6,438,000 for the first nine months resulted in an operating profit margin of 9.7% and reflects an increase as compared to the prior year's first nine months operating income of $1,348,000 and related operating margin of 2.7%. The increment in operating income and related margin is traceable to increased sales, favorable product mix, as well as operating efficiencies in manufacturing operations.

Other expense during the first nine months was $85,000 compared to $64,000 in the first nine months of the previous year. This year's increased expense is due to a $251,000 write down on the disposition of certain inventory related to the conclusion and settlement of the Grass Transition Service Agreement.

The Company recognized a $2,235,000 income tax expense on income from continuing operations for the first nine months of the current fiscal year reflecting an effective tax rate of 35.2%. The effective tax rate was directly impacted by an $80,000 tax expense related to the under accrual of the prior year's state taxes and offset by a tax benefit of $141,000 related to the favorable resolution of a previously uncertain tax position. This compares to the prior year's first nine months income tax expense on income from continued operations of $446,000, which included a benefit of $18,000 related to the favorable adjustment in the filing of a prior year's tax return and reflect an effective tax rate of 34.7%.

The Company reported income from continuing operations of $4,118,000 for the first nine months of the current year, reflecting a return on sales of net 6.2% and generating an EPS of $0.52 per diluted share. On a comparative basis, in the prior year's first nine months, the Company recognized income from continuing operations of $838,000, reflecting a return on sales of 1.6% and an EPS of $0.11 per diluted share.

Discontinued Operation

On January 31, 2013, the Company completed the sale of substantially all of the assets of its Grass Technologies Product Group (Grass) for a purchase price of $18,600,000. Consequently, the Company has classified the results of operations of its Grass segment as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

(In thousands)	Nine Months Ended November 2, 2013
Net Sales	$ 6,201
Gross Profit	$ 668
Income from Discontinued Operations	$ 517

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:

	Three Months Ended				Nine Months Ended			
	Net Sales		Segment Operating Profit		Net Sales		Segment Operating Profit	
(In thousands)	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
QuickLabel	$ 15,252	$ 12,509	$ 1,959	$ 1,494	$ 44,931	$ 36,102	$ 6,405	$ 3,962
T&M	7,885	5,670	2,023	912	21,346	14,756	4,074	1,803
Total	$ 23,137	$ 18,179	3,982	2,406	$ 66,277	$ 50,858	10,479	5,765
Product Replacement Related Costs			—	—			—	672
Corporate Expenses			1,407	1,223			4,041	3,745
Operating Income			2,575	1,183			6,438	1,348
Other Expense—Net			(46)	(2)			(85)	(64)
Income From Continuing Operations Before Income Taxes			2,529	1,181			6,353	1,284
Income Tax Provision			974	436			2,235	446
Income From Continuing Operations			1,555	745			4,118	838
Income From Discontinued Operations, Net of Income Taxes			—	363			—	517
Net Income			$ 1,555	$ 1,108			$ 4,118	$ 1,355

QuickLabel Systems—QuickLabel

Sales revenues from the QuickLabel product group increased 21.9% with sales of $15,252,000 in the third quarter of the current year as compared to $12,509,000 in the same period of the prior year. The current quarter increase in sales is due to both the consumables and hardware product lines. Consumable sales increased 16.1% from the same period in the prior year, primarily due to the increased demand for label and tag products as well as digital color printer supplies products, both which have experienced double-digit growth as compared to the prior year. Sales in the hardware product line increased 45.8% primarily attributable to sales in the digital color printer product lines. QuickLabel's current quarter segment operating profit was $1,959,000, reflecting a profit margin of 12.8%, an increase from prior year's third quarter segment profit of $1,494,000 and related profit margin of 11.9 %. The increase in QuickLabel's current year's segment operating profit and related margin is primarily due to higher sales and favorable product mix.

Sales revenues from the QuickLabel product group were $44,931,000 for the first nine months of the current fiscal year as compared to $36,102,000 in the same period of the prior year. The increase in sales is primarily due to the consumables product line which increased 17.8% from the prior year, principally attributable to the increased demand for the label and tag products, as well as the digital color printer supplies product lines. Also contributing to the current year increase were sales in the hardware product line, which increased 52.7% from the same period of the prior year, primarily due to the ink jet printer and other digital color printer product lines. QuickLabel's current year's segment operating profit was $6,405,000, reflecting a profit margin of 14.3%, an increase from prior year's segment profit of $3,962,000 and related profit margin of 11.0%. The increase in QuickLabel's current year's segment operating profit and related margin is primarily due to increased sales and favorable product mix.

Test & Measurement—T&M

Sales revenues from the T&M products were $7,885,000 for the third quarter of the current fiscal year, representing a 39.1% increase as compared to sales of $5,670,000 for the same period in the prior year. The increment is traceable to growth of the Ruggedized printer products, including the recently acquired Miltope ruggedized printer products, as well as the increased demand for our high speed data acquisition product lines. T&M's third quarter segment operating profit of $2,023,000 resulted in a 25.7% profit margin as compared to the prior year's segment operating profit of $912,000 and related operating margin of 16.1%. The higher segment operating profit and related margin were due to higher sales, lower manufacturing costs and favorable product mix.

Sales revenues from the T&M product group were $21,346,000 for the first nine months of the current fiscal year, representing a 44.7% increase as compared to sales of $14,756,000 for the same period in the prior year. The increase is primarily attributable to the hardware product line, as both the Ruggedized and high-speed data recorder product lines experienced growth over the prior year. T&M's segment operating profit for the first nine months of the current fiscal year was $4,074,000 which resulted in a 19.1% profit margin as compared to the prior year's segment operating profit of $1,803,000 and related operating margin of 12.2%. The increase in segment operating profit and related margin was due to increased sales and favorable product mix.

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. However, in the event that cash from operations is not sufficient, 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 new line of credit and the entire line is currently available.

The Company's statements of cash flows for the nine months ended November 1, 2014 and November 2, 2013 are included on page 6. Net cash flows provided by operating activities was $1,784,000 in the current year compared to cash used of $4,994,000 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 income tax payments made in the prior year in connection with the gain on the sale of Grass, as well as slower growth in accounts receivable, partially offset by a higher inventory balance in the current year. While accounts receivables increased to $13,766,000 at the end of the third quarter as compared to $11,366,000 at year-end, the accounts receivable collection cycle decreased to 51 days sales outstanding at the end of the current quarter as compared to 54 days outstanding at year end. Inventory increased to $16,424,000 at the end of the third quarter compared to $15,178,000 at year end and inventory days on hand increased to 116 days on hand at the end of the current quarter from 113 days at year end.

The Company's cash, cash equivalents and investments at the end of the third quarter totaled $30,903,000 compared to $27,107,000 at year end. The increased cash and investment position at November 1, 2014 resulted from current nine months net income, $1.8 million cash received in the first quarter related to the cash held in escrow as part of the sale of Grass and cash received in the first quarter related to the disposition of inventory to the purchaser of Grass. This increase was partially offset by dividends paid of $1,619,000 and cash used to acquire property, plant and equipment of $1,719,000.

The Company's backlog decreased 2.4% from year-end to $13,680,000 at the end of the current third quarter.

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, 2014, 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/certain other 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

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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, 2014. 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.

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, 2014, which could materially affect our business, financial condition or future operating results. The risks described in our Annual Report on 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, 2014.

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

During the third quarter of fiscal 2015, the Company made the following repurchases of its common stock:

	Total Number of Shares Repurchased	Average Price paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Be Purchased Under The Plans or Programs
August 3—August 30	—	$ —	—	390,000
August 31—September 27	—	$ —	—	390,000
September 28—November 1	—	$ —	—	390,000

Item 6. Exhibits

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

10.12	Three-Year Revolving Line of Credit Agreement dated September 5, 2014 by and between the Company and Wells Fargo Bank
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 period ended 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.

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SIGNATURES

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

ASTRO-MED, INC.
(Registrant)

Date: December 10, 2014

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

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

Exhibit 10.12

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of September 5, 2014, by and between ASTRO-MED, INC., a Rhode Island corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit . Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including August 30, 2017, not to exceed at any time the aggregate principal amount of Ten Million Dollars ($10,000,000.00) ("Line of Credit"), the proceeds of which shall be used for ongoing working capital requirements, general corporate purposes, Permitted Acquisitions (as defined herein) and costs and expenses associated with the transactions contemplated by the Agreement. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a revolving line of credit note dated as of September 5, 2014 ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Limitation on Borrowings . The maximum aggregate outstanding borrowings under the Line of Credit at any one time shall be limited to $10,000,000.00, unless and until Borrower requests by notice to Bank that Bank increase the maximum of the loan evidenced by that Line of Credit Note in an amount up to $15,000,000.00 which requests the Bank approves in its sole discretion by notice to Borrower. Notice shall be given in accordance with the provisions of this Agreement.

(c) Letter of Credit Subfeature . As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue commercial letters of credit for the account of Borrower (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed One Million Dollars ($1,000,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Letter of Credit shall be issued for a term not to exceed three hundred sixty-five (365) days, as designated by Borrower; provided however, that no Letter of Credit shall have an expiration date subsequent to the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(d) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest, and the amount of each drawing paid under any Letter of Credit shall bear interest from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Letter of Credit Fees. Borrower shall pay to Bank fees upon the issuance of each Letter of Credit, upon the payment or negotiation of each drawing under any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank’s standard fees and charges then in effect for such activity.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of Rhode Island, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the “Loan Documents”) have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could reasonably be expected to have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated January 31, 2014, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower as of each such date, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel . All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.

(b) Documentation . Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

(i) This Agreement and each promissory note or other instrument or document required hereby.

(ii) Certificate of Incumbency.

(iii) Corporate Resolution: Borrowing.

(iv) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition . There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower or any guarantor hereunder, if any, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower or any such guarantor, if any.

(d) Insurance . Borrower shall have delivered to Bank evidence of insurance coverage, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with lender loss payable endorsements in favor of Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance . The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation . Bank shall have received all additional documents which may be required in connection with such extension of credit.

SECTION 3.3. CONDITIONS OF INITIAL LETTER OF CREDIT. Prior to the issuance of the first Letter of Credit hereunder, Bank shall have received any letter of credit documentation required by Bank completed and duly executed by Borrower.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time upon reasonable prior notice, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower. All costs associated with such reviews shall be for Borrower's account; provided, however, that absent the occurrence and continuance of an Event of Default, Borrower shall only be obligated to pay Bank's costs for one review per fiscal year.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, audited consolidated financial statements of Borrower, reported on by a registered independent public accounting firm, to include a balance sheet, income statement and statement of cash flows as well as 10Q and 10K reports as available;

(b) not later than 45 days after and as of the end of each fiscal quarter, a financial statement of Borrower, prepared by Borrower, to include a balance sheet, income statement and statement of cash flows;

(c) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the chief financial officer of Borrower that said financial statements are accurate, that Borrower is in compliance with all financial covenants in this Agreement (as evidenced by detailed calculations attached to such certificate), and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(d) not later than 45 days after and as of the end of each fiscal year, a budget for the following fiscal year of Borrower, to include a balance sheet, income statement and statement of cash flows.

(e) from time to time such other information as Bank may reasonably request.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower’s continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, and, if required, seismic property damage and workers’ compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank’s request schedules setting forth all insurance then in effect, together with a lender’s loss payee endorsement for all such insurance naming Bank as a lender loss payee.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower’s business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank’s reasonable satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or, if known to Borrower, threatened against Borrower.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower’s financial condition as follows using generally accepted accounting principles (“U.S. GAAP”) consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Total Funded Debt to Adjusted EBITDA not greater than 3.0 to 1.0 as of each fiscal quarter end, determined on a rolling 4-quarter basis, with “Total Funded Debt” defined as the sum of all obligations for borrowed money (including subordinated debt) plus all capital lease obligations (as determined by U.S. GAAP), and with “Adjusted EBITDA” defined as net profit before tax plus interest expense (net of capitalized interest expense), depreciation expense, amortization expense, and non-cash stock-based compensation.

(b) Fixed Charge Coverage Ratio not less than 1.25 to 1.0 as of each fiscal quarter end, determined on a rolling 4-quarter basis, with "Fixed Charge Coverage Ratio" defined as the aggregate of Adjusted EBITDA as defined above, minus share repurchases, dividends, cash taxes and capital expenditures divided by the aggregate of the scheduled principal repayments and capital lease obligations for such period plus cash interest expense. Dividends and share repurchases will be excluded from this calculation, provided there is a minimum consolidated balance of cash and marketable securities net of indebtedness and on deposit free of any lien in accounts domiciled in the U.S. of at least $7,500,000.00.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank; (b) any other liabilities of Borrower existing as of, and disclosed to Bank in writing prior to, the date hereof, (c) additional purchase money indebtedness (including capitalized leases) for the acquisition of fixed assets, provided that such additional purchase money indebtedness does not exceed $2,000,000.00 per annum, and (d) additional unsecured indebtedness which does not exceed $5,000,000.00 at any time outstanding.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity, except for a Permitted Acquisition (as defined below); nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business, "Permitted Acquisition" is defined as any acquisition by Borrower of all or substantially all of the operating assets of any person, entity or business line of any person or entity so long as all of the following conditions are satisfied: (a) the acquisition is consummated in compliance with applicable law, (b) the acquisition is within the same or similar line of business as Borrower, (c) the acquired company generated Adjusted EBITDA (excluding non-recurring charges incurred by the business, person or entity to be acquired) in excess of $1.00 in the trailing six month period, (d) there exists no Event of Default, nor any act, condition or event which with the giving of notice or the passage of time or both would constitute an Event of Default, and no such Event of Default or potential Event of Default results after giving effect to the acquisition, (e) has notified the Bank prior to closing the transaction, (f) Borrower is in compliance with all covenants for the previous four fiscal quarters, (g) for transactions in excess of $5,000,000.00, prior to closing, Borrower demonstrates pro forma compliance with all covenants for the following four fiscal quarters, and (h) for transactions in excess of $10,000,000.00, Borrower receives Bank's written approval prior to closing and demonstrates pro forma compliance for the following four fiscal quarters.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity not included in Borrower's consolidated financial statements, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof.

SECTION 5.6. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except (a) security Interests or liens in favor of Bank; (b) security interests or liens existing as of, and disclosed to Bank in writing prior to, the date hereof, (c) commit to not mortgage, pledge, grant or permit to and exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired to any other institution, (d) liens to secure purchase money indebtedness permitted under Section 5.2 hereof, (e) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established, and (f) statutory liens such as carriers', warehousemen's, mechanics', materialmen's or similar liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fall to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this section 6.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank.

(e) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(f) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor.

(g) The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(h) Any change in control of Borrower or any entity or combination of entitles that directly or indirectly control Borrower, with "control" defined as ownership of an aggregate of fifty percent (50%) or more of the common stock, members' equity or other ownership interest (other than a limited partnership interest).

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER:	ASTRO-MED, INC. 600 East Greenwich Avenue West Warwick, Rhode Island 02893 Attn: Chief Financial Officer
BANK:	WELLS FARGO BANK, NATIONAL ASSOCIATION MAC J9216-202 101 Federal Street, 20 th Floor Boston, Massachusetts 02110

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable outside attorneys' fees, expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and

(c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose to such participants and assignees all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, if any, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed, in accordance with the laws of the Commonwealth of Massachusetts.

SECTION 7.11. RIGHT OF SETOFF; DEPOSIT ACCOUNTS . Upon the occurrence and during the continuation of, an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except payroll, trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

SECTION 7.12. ARBITRATION.

(a) Arbitration . The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party's right to demand arbitration being automatically terminated.

(b) Governing Rules . Any arbitration proceeding will (i) proceed in a location in Massachusetts selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure . The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers . Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the Commonwealth of Massachusetts or a neutral retired judge of the state or federal judiciary of Massachusetts, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Massachusetts and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Massachusetts Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery . In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations . No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees . The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous . To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(i) Small Claims Court . Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument as of the day and year first written above.

ASTRO-MED, INC.

By: / s / GREGORY A. WOODS
GREGORY A. WOODS,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

By: /s/ JOSEPH P. O'CONNELL
JOSEPH P. O'CONNELL,
SENIOR VICE PRESIDENT,
TREASURER AND CHIEF
FINANCIAL OFFICER

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ DAVID M. CRANE
DAVID M. CRANE,
SENIOR VICE PRESIDENT

Exhibit 31.1

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 10, 2014

/s/ Gregory A. Woods

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

Exhibit 31.2

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 10, 2014

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

Exhibit 32.1

**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 November 1, 2014 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 result of operations of the Company.

Date: December 10, 2014

/s/ Gregory A. Woods
Gregory A. Woods,
President, Chief Executive Officer and Director
(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.

Exhibit 32.2

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 November 1, 2014 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 result of operations of the Company.

Date: December 10, 2014

/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.