

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 September 30, 2024 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 1-36117

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

22-2370659

(I.R.S. Employer Identification Number)

804 East Gate Drive, Suite 200

Mt. Laurel, New Jersey 08054

(Address of principal executive offices, including zip code)

(856) 505-8800

(Registrant's Telephone Number, including Area Code)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	INTT	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of Common Stock, \$0.01 par value, outstanding as of the close of business on October 31, 2024: 12,374,575

inTEST CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

inTEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,972	\$ 45,260
Trade accounts receivable, net of allowance for credit losses of \$419 and \$474, respectively	28,357	18,175
Inventories	31,661	20,089
Prepaid expenses and other current assets	3,212	2,254
Total current assets	<u>81,202</u>	<u>85,778</u>
Property and equipment:		
Machinery and equipment	8,848	7,118
Leasehold improvements	4,205	3,601
Gross property and equipment	<u>13,053</u>	<u>10,719</u>
Less: accumulated depreciation	(8,480)	(7,529)
Net property and equipment	<u>4,573</u>	<u>3,190</u>
Right-of-use assets, net	11,292	4,987
Goodwill	32,475	21,728
Intangible assets, net	27,877	16,596
Deferred tax assets	-	1,437
Restricted certificates of deposit	100	100
Other assets	848	1,013
Total assets	<u>\$ 158,367</u>	<u>\$ 134,829</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of Term Note and other long-term debt	\$ 8,269	\$ 4,100
Current portion of operating lease liabilities	1,947	1,923
Accounts payable	9,212	5,521
Accrued wages and benefits	5,009	4,156
Accrued professional fees	1,405	1,228
Customer deposits and deferred revenue	6,978	3,797
Accrued sales commissions	1,077	1,055
Domestic and foreign income taxes payable	-	1,038
Other current liabilities	2,042	1,481
Total current liabilities	<u>35,939</u>	<u>24,299</u>
Operating lease liabilities, net of current portion	9,649	3,499
Term Note and other long-term debt, net of current portion	7,822	7,942
Contingent consideration	823	1,093
Deferred revenue, net of current portion	1,208	1,331
Deferred tax liabilities	761	-
Other liabilities	1,789	384
Total liabilities	<u>57,991</u>	<u>38,548</u>
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.01 par value; 20,000,000 shares authorized; 12,453,957 and 12,241,925 shares issued, respectively	124	122
Additional paid-in capital	57,218	54,450
Retained earnings	43,583	42,196
Accumulated other comprehensive earnings	393	414
Treasury stock, at cost; 79,382 and 75,758 shares, respectively	(942)	(901)
Total stockholders' equity	<u>100,376</u>	<u>96,281</u>
Total liabilities and stockholders' equity	<u>\$ 158,367</u>	<u>\$ 134,829</u>

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenue	\$ 30,272	\$ 30,941	\$ 94,087	\$ 95,418
Cost of revenue	16,260	16,494	53,202	50,889
Gross profit	<u>14,012</u>	<u>14,447</u>	<u>40,885</u>	<u>44,529</u>
Operating expenses:				
Selling expense	4,281	4,295	12,976	13,411
Engineering and product development expense	2,182	1,802	6,382	5,689
General and administrative expense	7,062	5,882	20,212	16,099
Total operating expenses	<u>13,525</u>	<u>11,979</u>	<u>39,570</u>	<u>35,199</u>
Operating income	487	2,468	1,315	9,330
Interest expense	(219)	(168)	(612)	(526)
Other income	<u>301</u>	<u>423</u>	<u>949</u>	<u>678</u>
Earnings before income tax expense	569	2,723	1,652	9,482
Income tax expense	<u>74</u>	<u>446</u>	<u>265</u>	<u>1,595</u>
Net earnings	<u>\$ 495</u>	<u>\$ 2,277</u>	<u>\$ 1,387</u>	<u>\$ 7,887</u>
Earnings per common share - basic	\$ 0.04	\$ 0.19	\$ 0.11	\$ 0.70
Weighted average common shares outstanding - basic	12,189,761	11,886,005	12,150,240	11,294,306
Earnings per common share - diluted	\$ 0.04	\$ 0.19	\$ 0.11	\$ 0.68
Weighted average common shares and common share equivalents outstanding - diluted	12,251,712	12,212,317	12,246,763	11,665,850

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net earnings	\$ 495	\$ 2,277	\$ 1,387	\$ 7,887
Unrealized loss on interest rate swap agreement	(95)	(44)	(153)	(115)
Foreign currency translation adjustments	918	(424)	132	(101)
Comprehensive earnings	<u>\$ 1,318</u>	<u>\$ 1,809</u>	<u>\$ 1,366</u>	<u>\$ 7,671</u>

See accompanying Notes to Consolidated Financial Statements

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Nine Months Ended September 30, 2024						
	Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Earnings (Loss)	Stock	Stockholders' Equity
Balance, January 1, 2024	12,241,925	\$ 122	\$ 54,450	\$ 42,196	\$ 414	\$ (901)	\$ 96,281
Net earnings	-	-	-	662	-	-	662
Other comprehensive loss	-	-	-	-	(103)	-	(103)
Amortization of deferred compensation related to stock-based awards	-	-	349	-	-	-	349
Issuance of shares in connection with acquisition of Alfamation	187,432	2	2,084	-	-	-	2,086
Issuance of unvested shares of restricted stock	138,838	1	(1)	-	-	-	-
Forfeiture of unvested shares of restricted stock	(11,200)	-	-	-	-	-	-
Stock options exercised	4,925	-	18	-	-	-	18
Shares issued under Employee Stock Purchase Plan	4,104	-	54	-	-	-	54
Shares surrendered to satisfy tax liability at vesting of stock-based awards	-	-	-	-	-	(30)	(30)
Balance, March 31, 2024	12,566,024	125	56,954	42,858	311	(931)	99,317
Net earnings	-	-	-	230	-	-	230
Other comprehensive loss	-	-	-	-	(741)	-	(741)
Amortization of deferred compensation related to stock-based awards	-	-	564	-	-	-	564
Stock options exercised	21,155	1	97	-	-	-	98
Shares issued under Employee Stock Purchase Plan	4,483	-	45	-	-	-	45
Shares surrendered to satisfy tax liability at vesting of stock-based awards	-	-	-	-	-	(11)	(11)
Balance, June 30, 2024	12,591,662	126	57,660	43,088	(430)	(942)	99,502
Net earnings	-	-	-	495	-	-	495
Other comprehensive gain	-	-	-	-	823	-	823
Amortization of deferred compensation related to stock-based awards	-	-	537	-	-	-	537
Stock options exercised	4,000	-	29	-	-	-	29
Shares issued under Employee Stock Purchase Plan	4,386	-	32	-	-	-	32
Repurchase and retirement of common stock	(141,117)	(2)	(1,040)	-	-	-	(1,042)
Forfeiture of unvested shares of restricted stock	(4,974)	-	-	-	-	-	-
Balance, September 30, 2024	12,453,957	\$ 124	\$ 57,218	\$ 43,583	\$ 393	\$ (942)	\$ 100,376

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(In thousands, except share data)
(Unaudited)

	Nine Months Ended September 30, 2023						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2023	11,063,271	\$ 111	\$ 31,987	\$ 32,854	\$ 218	\$ (214)	\$ 64,956
Net earnings	-	-	-	2,817	-	-	2,817
Other comprehensive earnings	-	-	-	-	71	-	71
Amortization of deferred compensation related to stock-based awards	-	-	474	-	-	-	474
Issuance of unvested shares of restricted stock	90,588	1	(1)	-	-	-	-
Forfeitures of unvested shares of restricted stock	(13,271)	-	-	-	-	-	-
Stock options exercised	25,200	-	165	-	-	-	165
Shares issued under Employee Stock Purchase Plan	2,292	-	48	-	-	-	48
Shares surrendered by employees to satisfy tax liability at vesting of stock-based awards	-	-	-	-	-	(33)	(33)
Balance, March 31, 2023	11,168,080	112	32,673	35,671	289	(247)	68,498
Net earnings	-	-	-	2,793	-	-	2,793
Other comprehensive earnings	-	-	-	-	181	-	181
Amortization of deferred compensation related to stock-based awards	-	-	605	-	-	-	605
Issuance of unvested shares of restricted stock	6,873	-	-	-	-	-	-
Stock options exercised	86,600	1	734	-	-	-	735
Shares issued under Employee Stock Purchase Plan	1,870	-	49	-	-	-	49
Shares surrendered by employees to satisfy tax liability at vesting of stock-based awards	-	-	-	-	-	(41)	(41)
Shares issued pursuant to At-the-Market Offering	921,797	9	19,235	-	-	-	19,244
Balance, June 30, 2023	12,185,220	122	53,296	38,464	470	(288)	92,064
Net earnings	-	-	-	2,277	-	-	2,277
Other comprehensive loss	-	-	-	-	(468)	-	(468)
Amortization of deferred compensation related to stock-based awards	-	-	544	-	-	-	544
Issuance of additional shares of restricted stock related to performance-based awards which vested in the period	40,557	-	-	-	-	-	-
Forfeiture of unvested shares of restricted stock	(4,220)	-	-	-	-	-	-
Stock options exercised	12,750	-	78	-	-	-	78
Shares issued under Employee Stock Purchase Plan	2,763	-	42	-	-	-	42
Shares surrendered by employees to satisfy tax liability at vesting of stock-based awards	-	-	-	-	-	(613)	(613)
Balance, September 30, 2023	12,237,070	\$ 122	\$ 53,960	\$ 40,741	\$ 2	\$ (901)	\$ 93,924

See accompanying Notes to Consolidated Financial Statements

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 1,387	\$ 7,887
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,469	3,515
Provision for excess and obsolete inventory	509	385
Foreign exchange (gain) loss	(78)	17
Amortization of deferred compensation related to stock-based awards	1,450	1,623
Discount on shares sold under Employee Stock Purchase Plan	20	21
Loss on disposal of property and equipment	24	11
Proceeds from sale of rental equipment, net of gain	148	153
Deferred income tax expense (benefit)	140	(1,101)
Adjustment to contingent consideration liability	-	(358)
Changes in assets and liabilities:		
Trade accounts receivable	(3,694)	480
Inventories	(129)	(9)
Prepaid expenses and other current assets	569	(313)
Other assets	(27)	(492)
Operating lease liabilities	(1,173)	(1,275)
Accounts payable	(1,029)	(100)
Accrued wages and benefits	(533)	125
Accrued professional fees	177	305
Customer deposits and deferred revenue	468	(105)
Accrued sales commissions	25	(292)
Domestic and foreign income taxes payable	(817)	(292)
Other current liabilities	(360)	320
Deferred revenue, net of current portion	(123)	1,033
Other liabilities	(189)	(17)
Net cash provided by operating activities	<u>1,234</u>	<u>11,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business, net of cash acquired	(18,727)	-
Purchase of property and equipment	(1,161)	(983)
Net cash used in investing activities	<u>(19,888)</u>	<u>(983)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from public offering of common stock	-	19,244
Repurchases of common stock	(1,042)	-
Repayments of short-term borrowings	(1,856)	-
Repayments of long-term borrowings	(5,475)	(3,075)
Proceeds from stock options exercised	145	978
Proceeds from shares sold under Employee Stock Purchase Plan	111	118
Settlement of employee tax liabilities in connection with treasury stock transaction	(41)	(687)
Net cash (used in) provided by financing activities	<u>(8,158)</u>	<u>16,578</u>
Effects of exchange rates on cash	<u>(476)</u>	<u>(7)</u>
Net cash (used in) provided by all activities	(27,288)	27,109
Cash, cash equivalents and restricted cash at beginning of period	45,260	14,576
Cash and cash equivalents at end of period	<u>\$ 17,972</u>	<u>\$ 41,685</u>
Cash payments for:		
Domestic and foreign income taxes	\$ 1,147	\$ 2,988
Details of acquisition:		
Fair value of assets acquired, net of cash	\$ 36,219	
Liabilities assumed	(26,046)	
Stock issued	(2,086)	
Goodwill resulting from acquisition	10,640	
Net cash paid for acquisition	<u>\$ 18,727</u>	

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(1) NATURE OF OPERATIONS

We are a global supplier of innovative test and process technology solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, industrial, life sciences, security and semiconductor. We have three operating segments which are also our reportable segments and reporting units: Electronic Test, Environmental Technologies and Process Technologies.

On March 12, 2024 we completed the acquisition of Alfamation S.p.A., an Italian joint-stock company (“Alfamation”), for an aggregate base purchase price of approximately EUR 20,000 comprised of: (i) EUR 18,000, or \$19,674, in cash; and (ii) 187,432 shares of our common stock, valued at \$2,086 based on the closing price of our stock on the date of acquisition. The cash portion of the purchase price was subject to customary working capital adjustments. These adjustments were finalized in June 2024 and resulted in recording an additional EUR 129, or \$141, in purchase price for assets delivered at closing in excess of agreed upon thresholds. The liabilities assumed in connection with the acquisition included debt of approximately EUR 10,315, or \$11,274. The acquisition is discussed further in Note 3. The debt assumed is discussed further in Note 10.

The consolidated entity is comprised of inTEST Corporation and our wholly-owned subsidiaries. We manufacture our products in the U.S., Italy, Canada and the Netherlands. Marketing and support activities are conducted worldwide from our facilities in the U.S., Italy, Canada, Germany, Singapore, the Netherlands, China and the U.K. We operate our business worldwide and sell our products both domestically and internationally.

All of our operating segments have multiple products that we design, manufacture and market to our customers. Due to a number of factors, our products have varying levels of gross margin. The mix of products we sell in any period is ultimately determined by our customers’ needs. Therefore, the mix of products sold in any given period can change significantly from the prior period. In addition, we sell our products to a variety of different types of customers with varying levels of discounts and commission expense. As a result of changes in both the mix of products sold as well as customer mix in any given period, our consolidated gross margin can vary significantly from period to period.

The semiconductor market (“semi” or the “semi market”) which includes both the broader semiconductor market, as well as the more specialized automated test equipment (“ATE”) and wafer production sectors within the broader semiconductor market, has historically been the largest single market in which we operate. The semi market is characterized by rapid technological change, competitive pricing pressures and cyclical as well as seasonal market patterns. The semi market is also subject to periods of significant expansion or contraction in demand. In addition to the semi market, we sell into a variety of other markets. Our intention is to continue diversifying our markets, our product offerings within the markets we serve and our customer base across all of our markets with the goal of reducing our dependence on any one market, product or customer. In particular, we are seeking to reduce the impact of volatility in the semi market on our results of operations.

Our Electronic Test segment sells many of its products to semiconductor manufacturers and third-party test and assembly houses (end user sales) and to ATE manufacturers (original equipment manufacturer (“OEM”) sales), who ultimately resell our equipment with theirs to both semiconductor manufacturers and third-party test and assembly houses. These sales all fall within the ATE sector of the semi market. With the acquisition of Acculogic Inc. and its affiliates (“Acculogic”) in December 2021, and Alfamation in March 2024, our Electronic Test segment also sells its products to customers in markets outside the semi market including the automotive, defense/aerospace, industrial and life sciences and specialty consumer electronics markets. Our Environmental Technologies segment sells its products to end users and OEMs within the ATE sector of the semi market. It also sells its products to customers in a variety of other markets other than the semi market, including the automotive, defense/aerospace, industrial and life sciences markets. Our Process Technologies segment sells its products to customers in the wafer production sector within the semi market. It also sells its products to customers in a variety of other markets other than the semi market, including the automotive, defense/aerospace, industrial, life sciences and security markets.

Our financial results are affected by a wide variety of factors, including, but not limited to, general economic conditions worldwide and in the markets in which we operate, economic conditions specific to the semi market and the other markets we serve, downward pricing pressures from customers, our reliance on a relatively few number of customers for a significant portion of our sales and our ability to safeguard patented technology and intellectual property in a rapidly evolving market. In addition, we are exposed to the risk of obsolescence of our inventory depending on the mix of future business and technological changes within the markets that we serve. Part of our strategy for growth includes potential acquisitions that may cause us to incur substantial expense in reviewing and evaluating potential transactions. We may or may not be successful in locating suitable businesses to acquire and in closing acquisitions of businesses we pursue. In addition, we may not be able to successfully integrate any business we do acquire with our existing business and we may not be able to operate the acquired business profitably. As a result of these or other factors, we may experience significant period-to-period fluctuations in future operating results.

On May 11, 2023, we entered into an At-the-Market Issuance Sales Agreement (the "Sales Agreement") pursuant to which we issued and sold 921,797 shares of our common stock having an aggregate offering price of \$20,000 between May 11, 2023 and May 31, 2023. We received net proceeds from the sale of these shares of \$19,244 after payment of commissions of 3.0% of the gross proceeds and other fees related to the sale of these shares.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain of our accounts, including contingent consideration, inventories, long-lived assets, goodwill, identifiable intangibles and deferred tax assets and liabilities, including related valuation allowances, are particularly impacted by estimates.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented. Certain footnote information has been condensed or omitted from these consolidated financial statements. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") filed on March 27, 2024 with the Securities and Exchange Commission.

Restatement

We previously restated our consolidated financial statements as of and for the three and nine months ended September 30, 2023. The restated financial information was filed on March 27, 2024 in our Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2023.

Reclassification

Certain prior period amounts have been reclassified to be comparable with the current period's presentation.

Subsequent Events

We have made an assessment of our operations and determined that there were no material subsequent events requiring adjustment to, or disclosure in, our consolidated financial statements for the nine months ended September 30, 2024.

Business Combinations

Acquired businesses are accounted for using the purchase method of accounting, which requires that the purchase price be allocated to the net assets acquired at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Fair values of intangible assets are estimated by valuation models prepared by our management and third-party advisors. The assets purchased and liabilities assumed have been reflected in our consolidated balance sheets, and the operating results are included in the consolidated statements of operations and consolidated statements of cash flows from the date of acquisition. Any change in the fair value of acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, will be recognized in the consolidated statement of operations in the period of the estimated fair value change. Acquisition-related transaction costs, including legal and accounting fees and other external costs directly related to the acquisition, are recognized separately from the acquisition and expensed as incurred in general and administrative expense in the consolidated statements of operations.

Cash, Cash Equivalents and Restricted Cash

Short-term investments that have maturities of three months or less when purchased are considered to be cash equivalents and are carried at cost, which approximates fair value. Our cash balances, which are deposited with highly reputable financial institutions, at times may exceed the federally insured limits. We have not experienced any losses related to these cash balances and believe the credit risk to be minimal.

Periodically we have restricted cash which represents amounts deposited at our banks to support bank guarantees which certain of our customers require as a condition of paying large deposits on orders they place with us. Typically, the amount of the deposit and related guarantee declines as shipments are made against the order. At September 30, 2024 and December 31, 2023, we had no amounts classified as restricted cash.

Trade Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. We grant credit to customers and generally require no collateral. To minimize our risk, we perform ongoing credit evaluations of our customers' financial condition. As discussed below under "Effect of Recently Adopted Amendments to Authoritative Accounting Guidance", effective January 1, 2023, we follow the guidance in Accounting Standards Codification ("ASC") Topic 326 (Financial Instruments – Credit Losses) in developing our estimate of the allowance for credit losses related to our accounts receivable. The allowance for credit losses is our best estimate of the amount of expected credit losses in our existing accounts receivable. In establishing the amount of allowance for credit losses, we consider all information available as of the reporting date including information related to past events, such as historical loss rates and actual incurred losses, as well as current conditions that may indicate future risk of loss and any other factors of which we are aware, that we believe could impact the ultimate collectability of the related receivables in future periods.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any significant off-balance sheet credit exposure related to our customers. Cash flows from accounts receivable are recorded in operating cash flows.

For the nine months ended September 30, 2024, we utilized \$56 of the allowance for credit losses to offset the write-off of receivables in our Electronic Test segment. There were no other significant changes in the amount of the allowance for credit losses during this time period. There was no bad debt expense recorded for the nine months ended September 30, 2024. During the nine months ended September 30, 2023, we recorded a bad debt recovery of \$79. This amount had been fully written off prior to our acquisition of Acculogic and was no longer in our accounts receivable balance.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, accounts payable, accrued expenses, our credit facility, interest rate swaps and our liabilities for contingent consideration. Our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at cost which approximates fair value, due to the short maturities of the accounts. Our short-term investments are classified as held-to-maturity and carried at amortized cost. Our credit facility and our interest rate swap are discussed further below and in Notes 4 and 10. Our liabilities for contingent consideration are accounted for in accordance with the guidance in ASC Topic 820 (Fair Value Measurement). ASC Topic 820 establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). Our contingent consideration liabilities are measured at fair value on a recurring basis using Level 3 inputs which are inputs that are unobservable and significant to the overall fair value measurement. These unobservable inputs reflect our assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. See Note 4 for further disclosures related to the fair value of our liabilities for contingent consideration.

Goodwill, Intangible and Long-Lived Assets

We have three reportable segments which are also our reporting units: Electronic Test, Environmental Technologies and Process Technologies.

We account for goodwill and intangible assets in accordance with ASC Topic 350 (Intangibles - Goodwill and Other). Finite-lived intangible assets are amortized over their estimated useful economic life and are carried at cost less accumulated amortization. Goodwill is assessed for impairment annually at the beginning of the fourth quarter on a reporting unit basis, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. Goodwill is considered to be impaired if the fair value of a reporting unit is less than its carrying amount. As a part of the goodwill impairment assessment, we have the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If, as a result of our qualitative assessment, we determine that it is more-likely-than-not that the fair value of the reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not required. However, if, as a result of our qualitative assessment, we determine it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, or, if we choose not to perform a qualitative assessment, we are required to perform a quantitative goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized.

The quantitative goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The goodwill impairment assessment is based upon the income approach, which estimates the fair value of our reporting units based upon a discounted cash flow approach. This fair value is then reconciled to our market capitalization at year end with an appropriate control premium. The determination of the fair value of our reporting units requires management to make significant estimates and assumptions including the selection of control premiums, discount rates, terminal growth rates, forecasts of revenue and expense growth rates, income tax rates, changes in working capital, depreciation, amortization and capital expenditures. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

Indefinite-lived intangible assets are assessed for impairment annually at the beginning of the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. As a part of the impairment assessment, we have the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, as a result of our qualitative assessment, we determine that it is more-likely-than-not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required; otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Long-lived assets, which consist of finite-lived intangible assets, property and equipment and right-of-use (“ROU”) assets, are assessed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows to the recorded value of the asset group. If impairment is indicated, the asset group is written down to its estimated fair value. The cash flow estimates used to determine the impairment, if any, contain management's best estimates using appropriate assumptions and projections at that time.

Revenue Recognition

We recognize revenue in accordance with the guidance in ASC Topic 606 (Revenue from Contracts with Customers). We recognize revenue for the sale of products or services when our performance obligations under the terms of a contract with a customer are satisfied and control of the product or service has been transferred to the customer. Generally, this occurs when we ship a product or perform a service. In certain cases, recognition of revenue is deferred until the product is received by the customer or at some other point in the future when we have determined that we have satisfied our performance obligations under the contract. Periodically, certain customers may request bill-and-hold arrangements. In such cases, revenue is not recognized until after control has transferred which is generally when the customer has requested such transaction and has been notified that the product (i) has been completed according to customer specifications, (ii) has passed our quality control inspections, (iii) has been separated from our inventory and is ready for physical transfer to the customer, and (iv) we cannot use the product or redirect the product to another customer. Our contracts with customers may include a combination of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. In addition to the sale of products and services, we also lease certain of our equipment to customers under short-term lease agreements. We recognize revenue from equipment leases on a straight-line basis over the lease term.

Revenue is recorded in an amount that reflects the consideration we expect to receive in exchange for those products or services. We do not have any material variable consideration arrangements, or any material payment terms with our customers other than standard payment terms which generally range from net 30 to net 90 days. We generally do not provide a right of return to our customers. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of Products and Services

We are a global supplier of innovative test and process technology solutions for use in manufacturing and testing in targeted markets including automotive, defense/aerospace, industrial, life sciences, security and semiconductor. Our Environmental Technologies segment sells thermal management products including ThermoStreams, ThermoChambers, process chillers, refrigerators and freezers, which we sell under our Temprotronic, Sigma, Thermonics and North Sciences product lines. Our Process Technologies segment sells precision induction heating systems through our subsidiary, Ambrell Corporation (“Ambrell”), including EKOHEAT® and EASYHEAT™ products. This segment also sells industrial-grade circuit board mounted video digital cameras and related devices, systems and software through our Videology Imaging Corporation (“Videology”), subsidiary. Our Electronic Test segment sells semiconductor ATE interface solutions through our inTEST EMS (“EMS”) subsidiary, including manipulators, docking hardware and electrical interface products. This segment also sells robotics-based electronic production test equipment under the Acculogic tradename and, as a result of the acquisition of Alfamation on March 12, 2024, which is discussed further in Note 3, this segment now sells test and measurement solutions for the automotive, life sciences and specialty consumer electronics markets. We provide post-warranty service and support for the equipment we sell. We sell our products to various markets including the automotive, defense/aerospace, industrial, life sciences, security and semiconductor markets.

We lease certain of our equipment under short-term leasing agreements with original lease terms of six months or less. Our lease agreements do not contain purchase options.

Occasionally we procure and sell materials/components on behalf of and to our customers.

Types of Contracts with Customers

Our contracts with customers are generally structured as individual purchase orders which specify the exact products or services being sold or equipment being leased along with the selling price, service fee or monthly lease amount for each individual item on the purchase order. Payment terms and any other customer-specific acceptance criteria are also specified on the purchase order. We generally do not have any customer-specific acceptance criteria, other than that the product performs within the agreed upon specifications. We test substantially all products manufactured as part of our quality assurance process to determine that they comply with specifications prior to shipment to a customer.

Contract Balances

We record accounts receivable at the time of invoicing. Accounts receivable, net of the allowance for credit losses, is included in current assets on our consolidated balance sheets. In certain instances, we also receive customer deposits in advance of invoicing and recording of accounts receivable. Customer deposits are included in current liabilities on our consolidated balance sheets. To the extent that we do not recognize revenue at the same time as we invoice, we record a liability for deferred revenue. Deferred revenue estimated to be recognized within the next twelve months is included in current liabilities. Deferred revenue that we estimate will be recognized beyond twelve months is recorded in Other Liabilities on our consolidated balance sheets. Any non-inventoriable costs associated with deferred revenue are also deferred and recorded in Prepaid Expenses and Other Current Assets or Other Assets on our consolidated balance sheets, depending on when the related deferred revenue is expected to be recognized.

As discussed above, we follow the guidance in ASC Topic 326 in developing our estimate of the allowance for credit losses related to our accounts receivable. The allowance for credit losses is our best estimate of the amount of expected credit losses in our existing accounts receivable. We monitor the collectability of accounts receivable on an ongoing basis and record charges for bad debt expense in the period when we determine that a loss is expected to occur based on our assessment.

Costs to Obtain a Contract with a Customer

The only costs we incur associated with obtaining contracts with customers are sales commissions that we pay to our internal sales personnel or third-party sales representatives. These costs are calculated based on set percentages of the selling price of each product or service sold. Commissions are considered earned by our internal sales personnel at the time we recognize revenue for a particular transaction. Commissions are considered earned by third-party sales representatives at the time that revenue is recognized for a particular transaction. We record commission expense in our consolidated statements of operations at the time the commission is earned. Commissions earned but not yet paid are included in current liabilities on our balance sheets.

Product Warranties

In connection with the sale of our products, we generally provide standard one- or two-year product warranties which are detailed in our terms and conditions and communicated to our customers. Our standard warranties are not offered for sale separately from our products; therefore, there is not a separate performance obligation related to our standard warranties. We record estimated warranty expense for our standard warranties at the time of sale based upon historical claims experience. We offer customers an option to separately purchase an extended warranty on certain products. In the case of extended warranties, we recognize revenue in the amount of the sale price for the extended warranty on a straight-line basis over the extended warranty period. We record costs incurred to provide service under an extended warranty at the time the service is provided. Warranty expense is included in selling expense in our consolidated statements of operations.

See Notes 6 and 14 for further information about our revenue from contracts with customers.

Inventories

Inventories are valued at cost on a first-in, first-out basis, not in excess of market value. Cash flows from the sale of inventories are recorded in operating cash flows. On a quarterly basis, we review our inventories and record excess and obsolete inventory charges based upon our established objective excess and obsolete inventory criteria. Our criteria identify excess material as the quantity of material on hand that is greater than the average annual usage of that material over the prior three years. Our criteria identify obsolete material as material that has not been used in a work order during the prior twenty-four months. In certain cases, additional excess and obsolete inventory charges are recorded based upon current market conditions, anticipated product life cycles, new product introductions and expected future use of the inventory. The excess and obsolete inventory charges we record establish a new cost basis for the related inventories.

Leases

We account for leases in accordance with ASC Topic 842 (Leases). We determine if an arrangement is a lease at inception. A lease contract is within scope if the contract has an identified asset (property, plant or equipment) and grants the lessee the right to control the use of the asset during the lease term. The identified asset may be either explicitly or implicitly specified in the contract. In addition, the supplier must not have any practical ability to substitute a different asset and would not economically benefit from doing so for the lease contract to be in scope. The lessee's right to control the use of the asset during the term of the lease must include the ability to obtain substantially all of the economic benefits from the use of the asset as well as decision-making authority over how the asset will be used. Leases are classified as either operating leases or finance leases based on the guidance in ASC Topic 842. Operating leases are included in operating lease ROU assets and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property and equipment and financing lease liabilities. We do not currently have any financing leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. None of our leases provide an implicit rate; therefore, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. We include these options in the determination of the amount of the ROU asset and lease liability when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Certain of our operating leases contain predetermined fixed escalations of minimum rentals and rent holidays during the original lease terms. Rent holidays are periods during which we have control of the leased facility but are not obligated to pay rent. For these leases, our ROU asset and lease liability are calculated including any rent holiday in the determination of the life of the lease.

We have lease agreements which contain both lease and non-lease components, which are generally accounted for separately. In addition to the monthly rental payments due, most of our leases for our offices and warehouse facilities include non-lease components representing our portion of the common area maintenance, property taxes and insurance charges incurred by the landlord for the facilities which we occupy. These amounts are not included in the calculation of the ROU assets and lease liabilities as they are based on actual charges incurred in the periods to which they apply.

Operating lease payments are included in cash outflows from operating activities on our consolidated statements of cash flows. Amortization of ROU assets is presented separately from the change in operating lease liabilities and is included in Depreciation and Amortization on our consolidated statements of cash flows.

We have made an accounting policy election not to apply the recognition requirements of ASC Topic 842 to short-term leases (leases with a term of one year or less at the commencement date of the lease). Lease expense for short-term lease payments is recognized on a straight-line basis over the lease term.

See Note 9 for further disclosures regarding our leases.

Interest Rate Swap Agreement

We are exposed to interest rate risk on our floating-rate debt. We have entered into an interest rate swap agreement to effectively convert our floating-rate debt to a fixed-rate basis for a portion of our floating rate debt, as discussed further in Notes 4 and 10. The principal objective of this agreement is to eliminate the variability of the cash flows for interest payments associated with our floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. We have elected to apply the hedge accounting rules in accordance with ASC Topic 815 (Derivatives and Hedging). Further, we have determined that this agreement qualifies for the shortcut method of hedge accounting. Changes in the fair value of interest rate swap agreements designated as cash flow hedges are recorded as a component of accumulated other comprehensive earnings (loss) within stockholders' equity and are amortized to interest expense over the term of the related debt.

Contingent Liability for Repayment of State and Local Grant Funds Received

In connection with leasing a facility in Rochester, New York, which our subsidiary, Ambrell, occupied in May 2018, we entered into agreements with the city of Rochester and the state of New York under which we received grants totaling \$550 to help offset a portion of the cost of the leasehold improvements we made to this facility. The final payment of \$87 was received during the three months ended March 31, 2022. In exchange for the funds we received under these agreements, we are required to create and maintain specified levels of employment in this location through various dates ending in 2024. If we fail to meet these employment targets, we may be required to repay a proportionate share of the proceeds. At September 30, 2024, \$123 of the total proceeds received could still be required to be repaid if we do not meet the targets. We have recorded this amount as a contingent liability which is included in other liabilities on our consolidated balance sheet. Those portions of the proceeds which are no longer subject to repayment are reclassified to deferred grant proceeds and amortized to income on a straight-line basis over the remaining lease term for the Rochester facility. Deferred grant proceeds are included in other current liabilities and other liabilities on our balance sheet and totaled \$263 at September 30, 2024. At September 30, 2024, we were in compliance with the employment targets as specified in the grant agreement with the city of Rochester.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718 (Compensation - Stock Compensation) which requires that employee share-based equity awards be accounted for under the fair value method and requires the use of an option pricing model for estimating fair value of stock options, which is then amortized to expense over the service periods. See further disclosures related to our stock-based compensation plans in Note 11.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Earnings (Loss) Per Common Share

Earnings (loss) per common share - basic is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during each period. Earnings (loss) per common share - diluted is computed by dividing earnings (loss) by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent unvested shares of restricted stock and stock options and are calculated using the treasury stock method. Common share equivalents are excluded from the calculation if their effect is anti-dilutive.

The table below sets forth, for the periods indicated, a reconciliation of weighted average common shares outstanding - basic to weighted average common shares and common share equivalents outstanding - diluted and the average number of potentially dilutive securities that were excluded from the calculation of diluted earnings (loss) per share because their effect was anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Weighted average common shares outstanding - basic	12,189,761	11,886,005	12,150,240	11,294,306
Potentially dilutive securities:				
Unvested shares of restricted stock and employee stock options	61,951	326,312	96,523	371,544
Weighted average common shares and common share equivalents outstanding - diluted	<u>12,251,712</u>	<u>12,212,317</u>	<u>12,246,763</u>	<u>11,665,850</u>
Average number of potentially dilutive securities excluded from calculation because their effect was anti-dilutive during the period	<u>734,574</u>	<u>107,666</u>	<u>589,478</u>	<u>119,585</u>

Effect of Recently Issued Amendments to Authoritative Accounting Guidance

In November 2023, the FASB issued amendments to the guidance for disclosures about reportable segments which require disclosures of significant expenses by segment and interim disclosure of items that were previously required on an annual basis. The amendments are to be applied on a retrospective basis and are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We are evaluating the impact of the amendments on disclosures in our consolidated financial statements.

In December 2023, the FASB issued amendments to the guidance for disclosures about income tax which provide for additional disclosures primarily related to the income tax rate reconciliations and income taxes paid. The amendments require entities to annually disclose the income tax rate reconciliation using both amounts and percentages, considering several categories of reconciling items, including state and local income taxes, foreign tax effects, tax credits and nontaxable or nondeductible items, among others. Disclosure of the reconciling items is subject to a quantitative threshold and disaggregation by nature and jurisdiction. The amendments also require entities to disclose net income taxes paid or received to federal, state and foreign jurisdictions, as well as by individual jurisdiction, subject to a five percent quantitative threshold. The amendments may be adopted on a prospective or retrospective basis and are effective for fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the impact of the amendments on disclosures in our consolidated financial statements.

(3) ACQUISITION

On March 12, 2024 we completed the acquisition of Alfamation S.p.A., an Italian joint-stock company (“Alfamation”). Alfamation is a leading global provider of state-of-the-art test and measurement solutions for the automotive, life sciences and specialty consumer electronics markets. Alfamation is included in our Electronic Test operating segment. The acquisition of Alfamation deepens our presence in the automotive/EV and life science markets, expands our exposure in consumer electronics, extends our geographic reach with a sizable footprint in Europe, and widens our portfolio of products and solutions. Additionally, we believe Alfamation brings engineering talent and a management team that culturally aligns with our mission to provide innovative, engineered solutions that address the high-value challenges of our customers. The aggregate purchase price was approximately EUR 20,000 comprised of: (i) EUR 18,000, or \$19,674, in cash; and (ii) 187,432 shares of our common stock, valued at \$2,086 based on the closing price of our stock on the date of acquisition. The cash portion of the purchase price was subject to customary working capital adjustments. These adjustments were finalized in June 2024 and resulted in recording an additional EUR 129, or \$141, in purchase price for assets delivered at closing in excess of agreed upon thresholds. The liabilities assumed in connection with the acquisition included debt of approximately EUR 10,315, or \$11,274. The debt assumed is discussed further in Note 10. Total acquisition costs incurred to complete this transaction were \$1,139. Acquisition costs were expensed as incurred and included in general and administrative expense.

In connection with the acquisition, we have entered into a lease agreement (the “Lease Agreement”) with the former owner of Alfamation who will continue to serve as the managing director of Alfamation under our ownership. The Lease Agreement commenced on March 12, 2024 and will last for six years. It will be automatically renewed for the same period of time unless terminated by either party. Under the terms of the Lease Agreement, Alfamation will lease warehouse and office space totaling about 51,817 square feet. Alfamation will pay a yearly lease payment of EUR 260 broken up into two equal payments. At the date of the signing of the Lease Agreement, the yearly lease payment equated to approximately \$284.

The acquisition of Alfamation has been accounted for as a business combination using purchase accounting, and, accordingly, the results of Alfamation have been included in our consolidated results of operations from the date of acquisition. The allocation of the purchase price for Alfamation is not yet complete. The preliminary allocation of the Alfamation purchase price was based on estimated fair values as of March 12, 2024. We are currently working with third-party valuation specialists to assist us with our purchase accounting. The information that needs to be gathered from multiple sources, including the records and personnel at Alfamation, is not yet fully assembled. As a result, the values reflected below are preliminary and we expect that they may change. Adjustments to these preliminary amounts will be included in the final allocation of the purchase price for Alfamation, which we expect to finalize in the fourth quarter of 2024. These adjustments could be material.

The excess of the purchase price over the identifiable intangible and net tangible assets was allocated to goodwill and is not deductible for tax purposes. Goodwill is attributed to synergies that are expected to result from the operations of the combined businesses.

The total purchase price of \$21,901 has been allocated as follows:

Goodwill	\$	10,640
Identifiable intangible assets		13,553
Tangible assets acquired and liabilities assumed:		
Cash		1,088
Trade accounts receivable		6,061
Inventories		11,775
Other current assets		1,678
Property and equipment		1,421
Other assets		1,731
Accounts payable		(4,720)
Accrued expenses and other current liabilities		(4,956)
Deferred tax liability		(2,044)
Debt (current and long-term)		(11,274)
Other non-current liabilities		(3,052)
Total purchase price	\$	<u>21,901</u>

We estimated the fair value of identifiable intangible assets acquired using the income approach. Identifiable intangible assets acquired include customer relationships, customer backlog, technology and a tradename. We are amortizing the finite-lived intangible assets acquired over their estimated useful lives based on the pattern in which the economic benefits of the intangible asset are expected to be consumed.

The following table summarizes the estimated fair value of Alfamation's identifiable intangible assets and their estimated useful lives as of the acquisition date:

	<u>Fair Value</u>	<u>Weighted Average Estimated Useful Life</u> (in years)
Finite-lived intangible assets:		
Customer relationships	\$ 7,432	20.0
Technology	2,951	10.0
Customer backlog	1,093	1.0
Total finite-lived intangible assets	<u>11,476</u>	<u>15.6</u>
Indefinite-lived intangible assets:		
Trade name	2,077	
Total intangible assets	<u>\$ 13,553</u>	

For the period from March 13, 2024 to September 30, 2024, Alfamation contributed \$16,479 of revenue and had a net loss of \$292.

The following unaudited pro forma information gives effect to the acquisition of Alfamation as if the acquisition occurred on January 1, 2023. These proforma summaries do not reflect any operating efficiencies or costs savings that may be achieved by the combined businesses. These proforma summaries are presented for informational purposes only and are not necessarily indicative of what the actual results of operations would have been had the acquisition taken place as of that date, nor are they indicative of future consolidated results of operations:

	Three Months Ended September 30,	
	<u>2024</u>	<u>2023</u>
Revenue	\$ 30,272	\$ 37,955
Net earnings	\$ 495	\$ 2,779
Diluted earnings per share	\$ 0.04	\$ 0.23
	Nine Months Ended September 30,	
	<u>2024</u>	<u>2023</u>
Revenue	\$ 99,015	\$ 118,185
Net earnings	\$ 1,205	\$ 10,696
Diluted earnings per share	\$ 0.10	\$ 0.93

The pro forma results shown above do not reflect the impact on general and administrative expense of investment advisory costs, legal costs and other costs of \$1,139 incurred by us as a direct result of the transaction.

(4) FAIR VALUE MEASUREMENTS

ASC Topic 820 (Fair Value Measurement) establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

ASC 820 identifies fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy that distinguishes among the following:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and models for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The interest rate swap agreement we entered into in connection with our Term Note, as discussed further in Notes 2 and 10, is measured at fair value on a recurring basis using Level 2 inputs. The contingent consideration liability on our balance sheet is measured at fair value on a recurring basis using Level 3 inputs.

Our contingent consideration liability is a result of our acquisition of Acculogic on December 21, 2021, and represents the estimated fair value of the additional cash consideration payable that is contingent upon sales to Electric Vehicle (“EV”) or battery customers. We may pay the seller up to an additional CAD \$5,000 in the five-year period from 2022 through 2026. The additional payments will be based on a percent of net invoices for which payments have been received on systems sold to EV or battery customers in excess of CAD \$2,500 per year in each of the five years. The maximum payment is capped at CAD \$5,000, which equates to approximately \$3,697 at September 30, 2024. There were no payments due to the seller for the years ended December 31, 2022 or 2023. To estimate the fair value of the contingent consideration at the acquisition date, an option-based income approach using a Monte Carlo simulation model was utilized due to the non-linear payout structure. As of the acquisition date, this resulted in an estimated fair value of \$1,430. This amount was recorded as a contingent consideration liability and included in the purchase price as of the acquisition date. We reassess the estimated fair value of this liability annually using this same approach, or more frequently, if we determine that there have been material changes to the assumptions used in the calculation of the probable payout. Changes in the amount of the estimated fair value of the earnouts since the acquisition date are recorded as operating expenses in our consolidated statement of operations in the quarter in which they occur. During the nine months ended September 30, 2024 we reduced the contingent consideration liability by \$50. At September 30, 2024, the contingent consideration had a total estimated fair value of \$1,020. The current portion of our contingent consideration liability was \$197 and \$0 at September 30, 2024 and December 31, 2023, respectively, and was included in Other Current Liabilities on our consolidated balance sheets. The non-current portion of the liability is included in Other Liabilities on our consolidated balance sheets.

The following fair value hierarchy table presents information about assets and (liabilities) measured at fair value on a recurring basis:

	Amounts at	Fair Value Measurement Using		
	Fair Value	Level 1	Level 2	Level 3
As of September 30, 2024				
Contingent consideration liability – Acculogic	\$ (1,020)	\$ -	\$ -	\$ (1,020)
Interest rate swap	\$ 132	\$ -	\$ 132	\$ -

	Amounts at	Fair Value Measurement Using		
	Fair Value	Level 1	Level 2	Level 3
As of December 31, 2023				
Contingent consideration liability – Acculogic	\$ (1,093)	\$ -	\$ -	\$ (1,093)
Interest rate swap	\$ 285	\$ -	\$ 285	\$ -

Changes in the fair value of our Level 3 contingent consideration liabilities for the nine months ended September 30, 2024 were as follows:

	Nine Months Ended September 30, 2024
Balance at beginning of period	\$ 1,093
Reduction in estimated fair value	(50)
Impact of foreign currency translation adjustments	(23)
Balance at end of period	<u>\$ 1,020</u>

(5) **GOODWILL AND INTANGIBLE ASSETS**

We have three operating segments which are also our reporting units: Electronic Test, Environmental Technologies and Process Technologies. Goodwill and intangible assets on our balance sheets are the result of our acquisitions.

Goodwill

Changes in the amount of the carrying value of goodwill for the nine months ended September 30, 2024 are as follows:

Balance - January 1, 2024	\$	21,728
Acquisition of Alfamation		10,640
Impact of foreign currency translation adjustments		107
Balance – September 30, 2024	\$	<u>32,475</u>

Goodwill was comprised of the following at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Electronic Test	\$ 14,166	\$ 3,436
Environmental Technologies	1,817	1,817
Process Technologies	16,492	16,475
Total goodwill	<u>\$ 32,475</u>	<u>\$ 21,728</u>

Intangible Assets

Changes in the amount of the carrying value of indefinite-lived intangible assets for the nine months ended September 30, 2024 are as follows:

Balance - January 1, 2024	\$	8,398
Acquisition of Alfamation		2,077
Impact of foreign currency translation adjustments		24
Balance – September 30, 2024	\$	<u>10,499</u>

Changes in the amount of the carrying value of finite-lived intangible assets for the nine months ended September 30, 2024 are as follows:

Balance - January 1, 2024	\$	8,198
Acquisition of Alfamation		11,476
Impact of foreign currency translation adjustments		140
Amortization		(2,436)
Balance - September 30, 2024	\$	<u>17,378</u>

Intangible assets were allocated to our reporting segments at September 30, 2024 and December 31, 2023 as follows:

	September 30, 2024	December 31, 2023
Electronic Test	16,124	3,728
Environmental Technologies	778	794
Process Technologies	10,975	12,074
Total intangible assets	<u>\$ 27,877</u>	<u>\$ 16,596</u>

The following tables provide further detail about our intangible assets as of September 30, 2024 and December 31, 2023:

	September 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	\$ 23,908	\$ 11,061	\$ 12,847
Technology	5,877	1,863	4,014
Patents	590	590	-
Backlog	1,612	1,095	517
Software	270	270	-
Trade name	140	140	-
Total finite-lived intangible assets	<u>32,397</u>	<u>15,019</u>	<u>17,378</u>
Indefinite-lived intangible assets:			
Trademarks	10,499	-	10,499
Total intangible assets	<u>\$ 42,896</u>	<u>\$ 15,019</u>	<u>\$ 27,877</u>

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	\$ 16,407	\$ 9,687	\$ 6,720
Technology	2,895	1,417	1,478
Patents	590	590	-
Backlog	499	499	-
Software	270	270	-
Trade name	140	140	-
Total finite-lived intangible assets	<u>20,801</u>	<u>12,603</u>	<u>8,198</u>
Indefinite-lived intangible assets:			
Trademarks	8,398	-	8,398
Total intangible assets	<u>\$ 29,199</u>	<u>\$ 12,603</u>	<u>\$ 16,596</u>

We generally amortize our finite-lived intangible assets over their estimated useful lives based on the pattern in which the economic benefits of the intangible assets are expected to be consumed, or on a straight-line basis, if an alternate amortization method cannot be reliably determined. Any such alternate amortization method would be based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. None of our intangible assets have any residual value.

The following table sets forth the estimated annual amortization expense for each of the next five years:

2024 (remainder)	\$ 929
2025	\$ 2,687
2026	\$ 1,835
2027	\$ 1,341
2028	\$ 1,209

(6) REVENUE FROM CONTRACTS WITH CUSTOMERS

The following tables provide additional information about our revenue from contracts with customers, including revenue by customer and product type and revenue by market. See also Note 14 for information about revenue by operating segment and geographic region.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue by customer type:				
End user	\$ 25,787	\$ 21,139	\$ 74,713	\$ 64,720
OEM/Integrator	4,485	9,802	19,374	30,698
	<u>\$ 30,272</u>	<u>\$ 30,941</u>	<u>\$ 94,087</u>	<u>\$ 95,418</u>
Revenue by product type:				
Thermal test	\$ 4,602	\$ 4,742	\$ 12,529	\$ 16,734
Thermal process	6,362	10,874	27,160	33,565
Semiconductor test	7,169	8,574	17,465	25,432
Video imaging	1,906	1,945	5,710	7,027
Flying probe and in-circuit testers	1,100	2,007	4,875	4,584
Alfamation products	4,173	-	15,271	-
Service/other	4,960	2,799	11,077	8,076
	<u>\$ 30,272</u>	<u>\$ 30,941</u>	<u>\$ 94,087</u>	<u>\$ 95,418</u>
Revenue by market:				
Semiconductor	\$ 11,410	\$ 18,476	\$ 36,501	\$ 54,992
Industrial	3,534	2,456	11,136	8,399
Automotive (including Electric Vehicles)	6,250	1,775	20,943	5,914
Life Sciences	1,322	1,330	4,169	3,978
Defense/aerospace	3,239	3,392	10,160	10,121
Security	666	967	1,999	2,869
Other	3,851	2,545	9,179	9,145
	<u>\$ 30,272</u>	<u>\$ 30,941</u>	<u>\$ 94,087</u>	<u>\$ 95,418</u>

(7) MAJOR CUSTOMERS

During the nine months ended September 30, 2024, one customer accounted for 13% of our consolidated revenue. This revenue was primarily generated by our Electronic Test segment. No other customers accounted for 10% or more of our consolidated revenue during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, one customer accounted for 15% of our consolidated revenue. This revenue was primarily generated by our Electronic Test segment. No other customers accounted for 10% or more of our consolidated revenue during the nine months ended September 30, 2023.

(8) INVENTORIES

Inventories held at September 30, 2024 and December 31, 2023 were comprised of the following:

	September 30, 2024	December 31, 2023
Raw materials	\$ 17,586	\$ 15,948
Work in process	8,291	1,563
Inventory consigned to others	216	98
Finished goods	5,568	2,480
Total inventories	<u>\$ 31,661</u>	<u>\$ 20,089</u>

Total charges incurred for excess and obsolete inventory for the three months and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Excess and obsolete inventory charges	\$ 204	\$ 119	\$ 509	\$ 385

(9) LEASES

As previously discussed in Note 2, we account for our leases in accordance with the guidance in ASC Topic 842. We lease our offices, warehouse facilities and certain equipment under non-cancellable operating leases that expire at various dates through 2032. Total operating lease and short-term lease costs for the three and nine months ended September 30, 2024 and 2023, respectively, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 529	\$ 396	\$ 1,489	\$ 1,199
Short-term lease cost	\$ 4	\$ 3	\$ 10	\$ 10

The following is additional information about our leases as of September 30, 2024:

Range of remaining lease terms (in years)	.1 to 7.4
Weighted average remaining lease term (in years)	5.9
Weighted average discount rate	6.6%

Maturities of lease liabilities as of September 30, 2024 were as follows:

2024 (remainder)	\$ 649
2025	2,587
2026	2,445
2027	2,261
2028	1,681
Thereafter	4,185
Total lease payments	\$ 13,808
Less imputed interest	(2,212)
Total	\$ 11,596

Cash Flow Information

Total amortization of ROU assets was \$356 and \$1,041 for the three months and nine months ended September 30, 2024, respectively, and \$390 and \$1,172 for the three months and nine months ended September 30, 2023, respectively.

During the nine months ended September 30, 2024 we acquired several auto leases in connection with our acquisition of Alfamation. The acquisition is discussed further in Note 3. We also entered into the Lease Agreement, described in Note 3, for the facility where Alfamation has its principal operations. This facility is owned by the seller. The leased premises include warehouse and office space totaling approximately 51,817 square feet. The yearly lease payment is EUR 260. The impact of the acquisition of these leases was a non-cash increase in our ROU assets and operating lease liabilities of approximately \$1,706 at the date of the acquisition.

During the nine months ended September 30, 2024 we also extended several building leases for certain of our facilities located in the U.S., the Netherlands and Singapore. At the effective dates of these extensions, we recorded non-cash increases in our ROU assets and operating lease liabilities totaling approximately \$5,623.

During the nine months ended September 30, 2023, we entered into a 25-month lease for a facility for our Environmental Technologies segment's operation in Germany. At the effective date of this lease, we recorded a non-cash increase in our ROU assets and operating lease liabilities of approximately \$90. During this same period, we entered into two auto leases, one with a 36-month term and one with a 48-month term, for employees of our Process Technologies segment both of whom are based in Europe. At the effective date of these leases, we recorded non-cash increases in our ROU assets and operating lease liabilities totaling approximately \$71.

(10) DEBT

Letters of Credit

We have issued letters of credit as the security deposits for certain of our domestic leases. These letters of credit are secured by pledged certificates of deposit which are classified as Restricted Certificates of Deposit on our balance sheets. The terms of our leases require us to renew these letters of credit at least 30 days prior to their expiration dates for successive terms of not less than one year until lease expiration. Our outstanding letters of credit at September 30, 2024 and December 31, 2023 consisted of the following:

Facility	Original L/C Issue Date	L/C Expiration Date	Lease Expiration Date	Letters of Credit Amount Outstanding	
				Sept. 30, 2024	Dec. 31, 2023
Mt. Laurel, NJ	3/29/2010	4/30/2025	4/30/2031	\$ 50	\$ 50
Mansfield, MA	10/27/2010	12/31/2024	2/9/2032	50	50
				\$ 100	\$ 100

Credit Facility

On October 15, 2021 (the “Closing Date”), we entered into an Amended and Restated Loan and Security Agreement with M&T Bank (“M&T”) which, on October 28, 2021, was amended by the Joinder and Amendment to Amended and Restated Loan and Security Agreement and which, on December 30, 2021, was further amended by the Joinder and Second Amendment to Amended and Restated Loan and Security Agreement (as amended, the “Loan Agreement”). The Loan Agreement included a \$25,000 non-revolving delayed draw term note (the “Term Note”) and a \$10,000 revolving credit facility (the “Revolving Facility” and together with the Term Note, the “Credit Facility”). The Credit Facility had a five-year contract period that began on the Closing Date and expired on October 15, 2026, and draws under the Term Note were permissible for two years.

Since December 30, 2021, we have further amended the Loan Agreement on several occasions. The latest amendment occurred on May 2, 2024, when we entered into a Fourth Amendment to the Amended and Restated Loan and Security Agreement (the “Amended Loan Agreement”). Under the Amended Loan Agreement, the maximum loan amount that we may borrow under the Term Note was raised to \$50,500. The available funding at September 30, 2024 under the Term Note was \$30,000. In addition, the period during which we may request advances under the Term Note was extended until May 2, 2026, and the Term Note and revolving credit facility maturity date was extended from September 19, 2027 to May 2, 2031.

At September 30, 2024, we had not borrowed any amounts under the \$10 million Revolving Facility. Our borrowings under the Term Note are discussed below and occurred prior to entering into the Amended Loan Agreement.

The principal balance of the Revolving Facility and the principal balance of any amount drawn under the Term Note accrues interest based on the secured overnight financing rate for U.S. government securities (“SOFR”) or a bank-defined base rate plus an applicable margin, depending on leverage. Each draw under the Term Note will have an option for us of either (i) up to a five year amortizing term loan with a balloon due at maturity, or (ii) up to a five year term with up to seven years amortization with a balloon due at maturity. Any amortization greater than five years will be subject to an excess cash flow recapture. The Amended Loan Agreement also allows us to enter into hedging contracts with M&T, including interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, or any other agreements or that are designed to protect us against fluctuations in interest rates or currency exchange rates.

The Amended Loan Agreement contains customary default provisions, including but not limited to the failure by us to repay obligations when due, violation of provisions or representations provided in the Amended Loan Agreement, bankruptcy by us, suspension of our business or any of our subsidiaries and certain material judgments. After expiration of the Contract Period or if a continued event of default occurs, interest will accrue on the principal balance at a rate of 2% in excess of the then applicable nondefault interest rate. The Amended Loan Agreement includes customary affirmative, negative and financial covenants, including a maximum ratio of consolidated funded debt to consolidated EBITDA of not more than 3.0 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0. Our obligations under the Amended Loan Agreement are secured by liens on substantially all of our tangible and intangible assets that are owned as of the Closing Date or acquired thereafter. At September 30, 2024, we were in compliance with all of the covenants included in the Credit Facility including the debt covenants of the Amended Loan Agreement.

On October 28, 2021, we drew \$12,000 under the Term Note to finance the acquisition of Videology as discussed above. We also entered into an interest rate swap agreement with M&T as of this date which is designed to protect us against fluctuations in interest rates during the five year repayment and amortization period. As a result, the annual interest rate we expect to pay for this draw under the Term Note is fixed at approximately 3.2% based on current leverage.

On December 29, 2021, we drew \$8,500 under the Term Note to finance the acquisition of Acculogic as discussed above. We did not enter into an interest rate swap agreement with M&T related to this draw. The annual interest rate we expect to pay for this draw under the Term Note is variable. At September 30, 2024, it was approximately 7.0% based on current leverage.

The following table sets forth the annual maturities for the balance of the Term Note:

2024 (remainder)	\$	1,025
2025		4,100
2026		3,842
	\$	<u>8,967</u>

Alfamation Debt

In connection with the acquisition of Alfamation, as discussed further in Note 3, we assumed debt which totaled \$11,274 as of the acquisition date. At September 30, 2024, Alfamation's total debt was valued at \$7,124. This debt is comprised of both fixed and variable rate bank issued term loans as well as \$1,914 of short-term variable rate financing backed by Alfamation's accounts receivable. This debt is spread across a number of different institutions with monthly, quarterly or half-yearly repayment schedules. The average interest rate being paid at September 30, 2024 was 1.2% for fixed rate debt and 4.7% for variable rate debt. The average rate for total debt at September 30, 2024 was 3.9%.

The following table sets forth the maturities of this debt for each of the next five years:

2024 (remainder)	\$	2,671
2025		1,936
2026		1,323
2027		769
2028		425
	\$	<u>7,124</u>

Total interest expense for the nine months ended September 30, 2024 and 2023 related to our various debt arrangements was \$612 and \$526, respectively.

(11) STOCK-BASED COMPENSATION PLAN

As of September 30, 2024, we had unvested restricted stock awards and stock options granted under stock-based compensation plans that are described more fully in Note 13 to the consolidated financial statements in our 2023 Form 10-K.

Our unvested restricted stock awards and stock options are accounted for based on their grant date fair value. As of September 30, 2024, total compensation expense to be recognized in future periods was \$3,560. The weighted average period over which this expense is expected to be recognized was 2.3 years.

The following table summarizes the compensation expense we recorded during the three and nine months ended September 30, 2024 and 2023 related to unvested shares of restricted stock and stock options:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues	\$ 39	\$ 28	\$ 107	\$ 76
Selling expense	12	9	37	30
Engineering and product development expense	9	(1)	21	18
General and administrative expense	477	508	1,285	1,499
	<u>\$ 537</u>	<u>\$ 544</u>	<u>\$ 1,450</u>	<u>\$ 1,623</u>

There was no compensation expense capitalized in the three and nine months ended September 30, 2024 or 2023.

Stock Options

We record compensation expense for stock options based on the fair market value of the options as of the grant date. No option may be granted with an exercise period in excess of ten years from the date of grant. Generally, stock options will be granted with an exercise price equal to the fair market value of our stock on the date of grant and will vest over four years.

The fair value for stock options granted during the nine months ended September 30, 2024 and 2023 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2024	2023
Risk-free interest rate	3.98%	3.93%
Dividend yield	0.00%	0.00%
Expected common stock market price volatility factor	.57	.57
Weighted average expected life of stock options (years)	6.25	6.25

The per share weighted average fair value of stock options issued during the nine months ended September 30, 2024 and 2023 was \$6.55 and \$9.43, respectively.

The following table summarizes the activity related to stock options for the nine months ended September 30, 2024:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, January 1, 2024 (171,735 exercisable)	505,006	\$ 10.46
Granted	165,364	11.33
Exercised	(30,080)	5.41
Canceled	(36,240)	8.57
Options outstanding, September 30, 2024 (262,310 exercisable)	604,050	10.93

Restricted Stock Awards

We record compensation expense for restricted stock awards based on the quoted market price of our stock at the grant date and amortize the expense over the vesting period. Restricted stock awards generally vest over four years for employees and over one year for our independent directors (25% at each of March 31, June 30, September 30, and December 31 of the year in which they were granted).

Since August 2020, we have increasingly granted performance-based restricted stock awards where the ultimate number of shares that vest can vary between 0% and 150% of the amount of the original award and is based on the achievement of specified performance metrics. Vesting for these awards is generally cliff vesting at the end of the period over which the performance metrics are measured. Compensation expense for these awards is recorded on a straight-line basis over the vesting period and is based on the expected final vesting percentage, which is re-assessed at the end of each reporting period and adjusted with a catch-up adjustment, as needed. Our initial assumption at the grant date of these awards is that the award will vest at the 100% level.

On March 10, 2021, we issued restricted stock awards totaling 18,000 shares to members of senior management within our operating segments. During the first quarter of 2023, 6,000 of these shares were forfeited when the individual to whom they had been granted resigned from his position with us. The remaining 12,000 shares vested on the third anniversary of the grant date at vesting percentages of 75% for 6,000 of the shares and 100% for the remaining 6,000 shares. The final vesting percentages were based on the achievement of certain performance metrics related to the operating results of the business units for which these members of management are responsible.

On October 1, 2021, we issued restricted stock awards totaling 5,000 shares to a member of senior management. These shares will vest on January 1, 2025 at a vesting percentage that could range from 0% to 150% of the number of shares awarded on October 1, 2021. The final vesting percentage will be based on the achievement of certain performance metrics related to our consolidated operating results. At December 31, 2023, we reduced the estimate of the final vesting percentage to 50%. At September 30, 2024, this estimate has been further reduced to 0% based on our current assessment of the probable achievement against the relevant performance metrics.

On March 9, 2022, our CEO and CFO received restricted stock awards totaling 20,493 shares valued at \$200 as of the date of grant. These shares vest on the third anniversary of the grant date at a vesting percentage that could range from 0% to 150% of the number of shares awarded on March 9, 2022. The final vesting percentage will be based on the achievement of certain performance metrics, including revenue compound annual growth rate and diluted earnings per share excluding amortization of intangibles, for specified time periods as determined by the Compensation Committee of our Board of Directors. At December 31, 2023, we reduced the estimate of the final vesting percentage to 50%. At September 30, 2024, this estimate has been further reduced to 0% based on our current assessment of the probable achievement against the relevant performance metrics.

On March 8, 2023, our CEO, CFO and the Division Presidents of two of our operating segments received restricted stock awards totaling 18,888 shares valued at \$303 as of the date of grant. These shares vest on the third anniversary of the grant date at a vesting percentage that could range from 0% to 150% of the number of shares awarded on March 8, 2023. The final vesting percentage will be based on the achievement of certain performance metrics related to revenue for the year ending December 31, 2025 as determined by the Compensation Committee of our Board of Directors. At September 30, 2024, we have estimated that these shares will vest at 100% of the original amount based on our assessment of the probable achievement against the relevant performance metrics.

On May 8, 2023 the newly appointed president of our Environmental Technologies segment received performance-based restricted stock awards totaling 5,081 shares valued at \$108 as of the date of grant. These shares vest on the third anniversary of the grant date at a vesting percentage that could range from 0% to 150% of the number of shares of restricted stock awarded on May 8, 2023. The final vesting percentage will be based on the achievement of certain performance metrics including revenue and income from operations for specified time periods. As of September 30, 2024, we have estimated that these shares will vest at 100% of the original amount.

On January 16, 2024 the newly appointed president of our Process Technologies segment received performance-based restricted stock awards totaling 8,231 shares valued at \$100 as of the date of grant. These shares vest on the third anniversary of the grant date at a vesting percentage that could range from 0% to 150% of the number of shares of restricted stock awarded on January 16, 2024. The final vesting percentage will be based on the achievement of certain performance metrics including revenue and income from operations for specified time periods. As of September 30, 2024, we have estimated that these shares will vest at 100% of the original amount.

On March 6, 2024, our CEO, CFO and the Division Presidents of our three operating segments received restricted stock awards totaling 33,539 shares valued at \$380 as of the date of grant. These shares vest on the third anniversary of the grant date at a vesting percentage that could range from 0% to 150% of the number of shares awarded on March 6, 2024. The final vesting percentage will be based on the achievement of certain performance metrics related to adjusted EBITDA for the year ended December 31, 2026 as determined by the Compensation Committee of our Board of Directors. At September 30, 2024, we have estimated that these shares will vest at 100% of the original amount based on our assessment of the probable achievement against the relevant performance metrics.

The following table summarizes the activity related to unvested restricted stock awards for the nine months ended September 30, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares outstanding, January 1, 2024	189,784	\$ 11.51
Granted	138,838	11.38
Vested	(94,666)	9.72
Forfeited	(16,174)	12.35
Unvested shares outstanding, September 30, 2024	<u>217,782</u>	12.14

The total fair value of the restricted stock awards that vested during the nine months ended September 30, 2024 and 2023 was \$761 and \$1,688, respectively, as of the vesting dates of these awards.

(12) EMPLOYEE STOCK PURCHASE PLAN

The inTEST Corporation Employee Stock Purchase Plan (the "ESPP") was adopted by the Board in April 2021 subject to approval by our stockholders, which occurred on June 23, 2021 at our Annual Meeting of Stockholders. The ESPP provides our eligible employees with an opportunity to purchase common stock through accumulated payroll deductions at a discounted purchase price. The ESPP became effective on October 1, 2021.

The ESPP provides that an aggregate of up to 250,000 shares of our common stock will be available for issuance under the ESPP. The shares of our common stock purchasable under the ESPP will be shares of authorized but unissued or reacquired shares, including shares repurchased by us on the open market.

During the nine months ended September 30, 2024, employees purchased 12,973 shares of our common stock through the ESPP at a cost of \$111. The closing market price of our common stock on the dates of purchase were \$13.25, \$9.88 and \$7.30, respectively. The prices paid by employees were \$11.26, \$8.40 and 6.20, respectively, which represented a 15% discount. The total amount of the discount of \$20 was recorded as compensation expense in our consolidated statements of operations. During the nine months ended September 30, 2023, employees purchased 6,925 shares of our common stock through the ESPP at a cost of \$118. The closing market price of our common stock on the dates of purchase were \$20.74, \$26.26 and \$15.17, respectively. The prices paid by employees were \$17.63, \$22.32 and \$12.89, respectively, which represented a 15% discount. The total amount of the discount of \$21 was recorded as compensation expense in our consolidated statements of operations.

From the effective date of the ESPP through September 30, 2024, a total of 55,905 shares of stock have been purchased by employees through the ESPP at a cost of \$525. We have recorded a total of \$93 of compensation expense in our consolidated statements of operations related to these shares.

(13) EMPLOYEE BENEFIT PLANS

We have defined contribution 401(k) plans for our employees who work in the U.S. These plans include the inTEST Corporation Incentive Savings Plan (the "inTEST Plan") and the Ambrell Corporation Savings & Profit Sharing Plan (the "Ambrell Plan"). During the quarter ended September 30, 2023, the Ambrell Plan, which is discussed further below, was merged into the inTEST Plan.

As of September 30, 2024, all permanent employees of Acculogic Ltd, Ambrell, inTEST Corporation, inTEST EMS LLC, Temptronic Corporation and Videology, who are at least 18 years of age, are eligible to participate in the inTEST Plan. We match employee contributions dollar for dollar up to 10% of the employee's annual compensation, with a maximum limit of \$5. Employer contributions vest ratably over four years. Matching contributions are discretionary. Prior to the merger with the inTEST Plan, all permanent employees of Ambrell were immediately eligible to participate in the Ambrell Plan upon employment and were eligible for employer matching contributions after completing six months of service, as defined in the Ambrell Plan. The Ambrell Plan allowed eligible employees to make voluntary contributions up to 100% of compensation, up to the federal government contribution limits. We made a matching contribution of 50% of each employee's contributions up to a maximum of 10% of the employee's deferral with a maximum limit of \$5.

For the three and nine months ended September 30, 2024, we recorded expense for matching contributions to both plans of \$97 and \$705, respectively. For the three and nine months ended September 30, 2023, we recorded expense for matching contributions to both plans of \$100 and \$671, respectively.

Employees of Alfamation in Italy are entitled to Trattamento di Fine Rapporto (“TFR”), commonly referred to as an employee leaving indemnity, which represents deferred compensation for employees. Under Italian law, an entity is obligated to accrue for TFR on an individual employee basis payable to each individual upon termination of employment (including both voluntary and involuntary dismissal). The expense is recognized in personnel costs in our consolidated statements of operations and the required accrual is included in Other Liabilities on our consolidated balance sheets. At September 30, 2024, the amount recorded in Other Liabilities for TFR was \$1,473.

(14) SEGMENT INFORMATION

We have three operating segments which are also our reportable segments and reporting units: Electronic Test (which includes our semiconductor test equipment, flying probe and in-circuit testers and the operations of Alfamation which we acquired on March 12, 2024 as discussed further in Note 3), Environmental Technologies (which includes our thermal test, process and storage products) and Process Technologies (which includes our induction heating and video imaging products). We operate our business worldwide and sell our products both domestically and internationally. All of our segments sell to semiconductor manufacturers, third-party test and assembly houses and ATE manufacturers and to a variety of markets outside of the semi market, including the automotive, defense/aerospace, industrial, life sciences, security and other markets.

Our management team, including our CEO who is also our Chief Operating Decision Maker as defined under U.S. GAAP, evaluates the performance of our operating segments primarily on income from divisional operations which represents earnings before income tax expense and excludes interest expense, other income (expense), corporate expenses and acquired intangible amortization.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenue:				
Electronic Test	\$ 15,481	\$ 11,547	\$ 42,756	\$ 32,911
Environmental Technologies	6,734	7,000	21,835	23,178
Process Technologies	8,057	12,394	29,496	39,329
Total revenue	<u>\$ 30,272</u>	<u>\$ 30,941</u>	<u>\$ 94,087</u>	<u>\$ 95,418</u>
Income from divisional operations:				
Electronic Test	\$ 2,311	\$ 3,268	\$ 5,867	\$ 8,487
Environmental Technologies	426	523	1,434	2,479
Process Technologies	1,070	2,094	4,001	7,362
Total income from divisional operations	3,807	5,885	11,302	18,328
Corporate expenses	(2,376)	(2,902)	(7,551)	(7,416)
Acquired intangible amortization	(944)	(515)	(2,436)	(1,582)
Interest expense	(219)	(168)	(612)	(526)
Other income	301	423	949	678
Earnings before income tax expense	<u>\$ 569</u>	<u>\$ 2,723</u>	<u>\$ 1,652</u>	<u>\$ 9,482</u>

	September 30, 2024	December 31, 2023
Identifiable assets:		
Electronic Test	\$ 81,592	\$ 32,505
Environmental Technologies	21,335	16,772
Process Technologies	53,596	56,842
Corporate	1,844	28,710
	<u>\$ 158,367</u>	<u>\$ 134,829</u>

The following table provides information about our geographic areas of operation. Revenue is based on the location to which the goods are shipped.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
U.S.	\$ 10,866	\$ 10,272	\$ 35,766	\$ 31,274
Foreign	19,406	20,669	58,321	64,144
	<u>\$ 30,272</u>	<u>\$ 30,941</u>	<u>\$ 94,087</u>	<u>\$ 95,418</u>

	September 30, 2024	December 31, 2023
Property and equipment:		
U.S.	\$ 2,614	\$ 2,502
Foreign	1,959	688
	<u>\$ 4,573</u>	<u>\$ 3,190</u>

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

As discussed in the section titled "Restatement" in Note 2 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, the financial information as of September 30, 2023 and for the three and nine months ended September 30, 2023 included herein was previously restated. The restated financial information was filed on March 27, 2024 in our Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2023. The following discussion and analysis of our financial condition and results of operations incorporates the restated amounts.

Risk Factors and Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q for the period ended September 30, 2024 (this "Report"), including this management's discussion and analysis ("MD&A"), contains statements that are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements do not convey historical information, but relate to predicted or potential future events, such as statements of our plans, strategies and intentions, or our future performance or goals, projections of revenue, taxable earnings (loss), net earnings (loss), net earnings (loss) per share, capital expenditures and other financial items, that are based on management's current expectations and estimates. Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believe," "expect," "may," "could," "will," "plans," "depending," "seeking," "anticipates," "goal," "objective," "target," "estimates," "future," "strategy," or variations of such words or similar terminology. Investors and prospective investors are cautioned that such forward-looking statements are only projections based on current expectations and estimates. These statements involve risks and uncertainties and are based upon various assumptions. These statements involve risks and uncertainties and are based upon various assumptions. Such risks and uncertainties include, but are not limited to:

- our ability to execute on our 5-Point Strategy;
- our ability to grow our presence in the automotive/electric vehicle ("EV"), life sciences, security, industrial and international markets;
- the possibility of future acquisitions or dispositions and the successful integration of any acquired operations;
- the success of our strategy to diversify our business by entering markets outside the semiconductor automated test equipment ("ATE") market;
- indications of a change in the market cycles in the semiconductor ("semi") market, or other markets we serve;
- developments and trends in the semi market, including changes in the demand for semiconductors;
- our ability to convert backlog to sales and to ship product in a timely manner;
- the loss of any one or more of our largest customers, or a reduction in orders by a major customer;
- the availability of materials used to manufacture our products;
- the impact of interruptions in our supply chain caused by external factors;
- the sufficiency of cash balances, lines of credit and net cash from operations;
- stock price fluctuations;
- the ability to borrow funds or raise capital to finance potential acquisitions or for working capital;
- changes in the rate of, and timing of, capital expenditures by our customers;
- effects of exchange rate fluctuations;
- progress of product development programs;
- the anticipated market for our products;
- our failure to effectively remediate the material weaknesses in our internal control over financial reporting that we have identified or our failure to develop and maintain a proper and effective system of disclosure controls and internal control over financial reporting;
- the availability of and retention of key personnel or our ability to hire personnel at anticipated costs;
- general economic conditions both domestically and globally; and
- other risk factors included in Part II, Item 1A., "Risk Factors" in this Report and in Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

These risks and uncertainties, among others, could cause our actual future results to differ materially from those described in our forward-looking statements or from our prior results. Any forward-looking statement made by us in this Report is based only on information currently available to us and speaks to circumstances only as of the date on which it is made. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Report to conform these statements to actual results or to changes in our expectations, except as required by law.

Overview

This MD&A should be read in conjunction with the accompanying consolidated financial statements. In addition, please refer to the discussion of our business and markets contained in Part 1, Item 1., of our 2023 Form 10-K.

We are a global supplier of innovative test and process technology solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, industrial, life sciences, security and semiconductor. We have three reportable segments which are also our reporting units: Electronic Test (which includes our semiconductor test equipment, flying probe and in-circuit testers and the operations of Alfamation S.p.A., (“Alfamation”) which we acquired on March 12, 2024 as discussed further below and in Note 3 to our consolidated financial statements in this Report), Environmental Technologies (which includes our thermal test, process and storage products) and Process Technologies (which includes our induction heating and video imaging products).

All of our operating segments have multiple products that we design, manufacture and market to our customers. Due to a number of factors, our products have varying levels of gross margin. These factors include, for example, the amount of engineering time required to develop the product, the market or customer to which we sell the product and the level of competing products available from other suppliers. The needs of our customers ultimately determine the products that we sell in a given time period. Therefore, the mix of products sold in a given period can change significantly when compared against the prior period. As a result, our consolidated gross margin may be significantly impacted by a change in the mix of products sold in a particular period.

Markets

As discussed further in Part 1, Item 1., “Markets” of our 2023 Form 10-K, we are focused on specific target markets which include automotive, defense/aerospace, industrial, life sciences, security as well as both the front-end and back-end of the semiconductor manufacturing industry. The semi market, which includes both the broader semiconductor market, as well as the more specialized ATE and wafer production sectors within the broader semiconductor market, has historically been the largest single market in which we operate. The semi market is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns and is subject to periods of significant expansion or contraction in demand. Our intention is to continue diversifying our markets, our product offerings within the markets we serve and our customer base across all of our markets with the goal of reducing our dependence on any one market, product or customer. In particular, we are seeking to reduce the impact of volatility in the semi market on our results of operations.

The portion of our business that is derived from the semi market is substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of integrated circuits (“ICs”) and, for our induction heating products, the demand for wafer production equipment. Demand for ATE or wafer production equipment is primarily driven by semiconductor manufacturers that are opening new, or expanding existing, semiconductor fabrication facilities or upgrading equipment, which in turn is dependent upon the current and anticipated market demand for ICs and products incorporating ICs. Such market demand can be the result of market expansion, development of new technologies or redesigned products to incorporate new features, or the replacement of aging equipment.

The semi market is highly cyclical with recurring periods of oversupply, which often severely impact the semi market's demand for the products we manufacture and sell into the market. This cyclicity can cause wide fluctuations in both our orders and revenue and, depending on our ability to react quickly to these shifts in demand, can significantly impact our results of operations. Market cycles are difficult to predict and, because they are generally characterized by sequential periods of growth or declines in orders and revenue during each cycle, year over year comparisons of operating results may not always be as meaningful as comparisons of periods at similar points in either up or down cycles. These periods of heightened or reduced demand can shift depending on various factors impacting both our customers and the markets that they serve. In addition, during both downward and upward cycles in the semi market, in any given quarter, the trend in both our orders and revenue can be erratic. This can occur, for example, when orders are canceled or currently scheduled delivery dates are accelerated or postponed by a significant customer or when customer forecasts and general business conditions fluctuate during a quarter.

While a significant portion of our orders and revenue are derived from the semi market, and our operating results generally follow the overall trend in the semi market, in any given period we may experience anomalies that cause the trend in our revenue from the semi market to deviate from the overall trend in the market. We believe that these anomalies may be driven by a variety of factors within the semi market, including, for example, changing product requirements, longer periods between new product offerings by OEMs and changes in customer buying patterns. In addition, in recent periods, we have seen instances when demand within the semi market is not consistent for each of our operating segments or for any given product within a particular operating segment. This inconsistency in demand can be driven by a number of factors but, in most cases, we have found that the primary reason is unique customer-specific changes in demand for certain products driven by the needs of their customers or markets served. Recently this has become more pronounced for our sales into the wafer production sector within the broader semiconductor market due to the limited market penetration we have into this sector and the variability of orders we have experienced from the few customers we support. These shifts in market practices and customer-specific needs have had, and may continue to have, varying levels of impact on our operating results and are difficult to quantify or predict from period to period. Management has taken, and will continue to take, such actions it deems appropriate to adjust our strategies, products and operations to counter such shifts in market practices as they become evident.

As discussed further in Part I, Item 1., “Overview and Strategy” of our 2023 Form 10-K, although the semi market remains our largest market, as part of our strategy to grow our business, we are focused on several other key target markets where we believe our products address test and process requirements and where we believe there is significant potential for growth. These key target markets include the automotive, defense/aerospace, industrial, life sciences and security markets. We believe that these markets are usually less cyclical than the semi market. While market share statistics exist for some of these markets, due to the nature of our highly specialized product offerings in these markets, we do not expect broad market penetration in many of these markets and, therefore, do not anticipate developing meaningful market shares in most of these markets.

In addition, because of our limited market share, our orders and revenue in any given period in these markets do not necessarily reflect the overall trends in these markets. Consequently, we are continuing to evaluate buying patterns and opportunities for growth in these, and other, markets that may affect our performance. The level of our orders and revenue in all of the markets we serve has varied in the past, and we expect will vary significantly in the future, as we work to build our presence in our current markets and establish new markets for our products.

Acquisition

As discussed further in Note 3 to our consolidated financial statements in this Report, on March 12, 2024 we entered into a stock purchase agreement to acquire all of the outstanding capital shares of Alfamation, a leading global provider of state-of-the-art test and measurement solutions for the automotive, life sciences and specialty consumer electronics markets. Alfamation was founded in 1991 and is headquartered in Milan, Italy. Alfamation also has a small sales and service subsidiary based in Suzhou City, China. Alfamation is included in our Electronic Test operating segment. The aggregate purchase price was approximately EUR 20 million comprised of EUR 18 million in cash, or \$19.7 million, and 187,432 shares of our common stock valued at \$2.1 million based on the closing price of our stock on the date of acquisition. The cash portion of the purchase price is subject to customary working capital adjustments. This resulted in an additional payment of EUR 129,000, or \$141,000 for assets delivered at closing in excess of agreed upon thresholds. This equates to a total purchase price of approximately \$21.9 million. The liabilities assumed in connection with the acquisition included debt of approximately EUR 10.3 million, or \$11.3 million. The debt assumed is discussed further in Note 10 to our consolidated financial statements in this Report.

In connection with the acquisition, on March 12, 2024 we entered into a lease agreement (the “Lease Agreement”) with the former owner of Alfamation who will continue to serve as the managing director of Alfamation under our ownership. The Lease Agreement will last for six years and will be automatically renewed for the same period of time unless terminated by either party. Under the terms of the Lease Agreement, Alfamation will lease warehouse and office space totaling about 51,817 square feet. Alfamation will pay a yearly lease payment of EUR 260,000 broken up into two equal payments. At the date of the signing of the Lease Agreement, the yearly lease payment equated to approximately \$284,000.

Revenue

The following table sets forth, for the periods indicated, a breakdown of revenue by market (in thousands).

	Three Months Ended									
	9/30/2024		9/30/2023		Change		6/30/2024		Change	
					\$	%			\$	%
Revenue										
Semi	\$ 11,410	37.7%	\$ 18,476	59.8%	\$ (7,066)	-38.2%	\$ 10,124	29.8%	\$ 1,286	12.7%
Industrial	3,534	11.7%	2,456	7.9%	1,078	43.9%	3,415	10.0%	119	3.5%
Auto/EV	6,250	20.6%	1,775	5.7%	4,475	252.1%	10,735	31.6%	(4,485)	-41.8%
Life Sciences	1,322	4.4%	1,330	4.3%	(8)	-0.6%	2,194	6.5%	(872)	-39.7%
Defense/Aero	3,239	10.7%	3,392	11.0%	(153)	-4.5%	3,682	10.8%	(443)	-12.0%
Security	666	2.2%	967	3.1%	(301)	-31.1%	792	2.3%	(126)	-15.9%
Other	3,851	12.7%	2,545	8.2%	1,306	51.3%	3,049	9.0%	802	26.3%
	<u>\$ 30,272</u>	<u>100.0%</u>	<u>\$ 30,941</u>	<u>100.0%</u>	<u>\$ (669)</u>	<u>-2.2%</u>	<u>\$ 33,991</u>	<u>100.0%</u>	<u>\$ (3,719)</u>	<u>-10.9%</u>

	Nine Months Ended						Change	
	9/30/2024		9/30/2023		\$	%	\$	%
Revenue								
Semi	\$ 36,501	38.8%	\$ 54,992	57.6%	\$ (18,491)		-33.6%	
Industrial	11,136	11.8%	8,399	8.8%	2,737		32.6%	
Auto/EV	20,943	22.3%	5,914	6.2%	15,029		254.1%	
Life Sciences	4,169	4.4%	3,978	4.2%	191		4.8%	
Defense/Aero	10,160	10.8%	10,121	10.6%	39		0.4%	
Security	1,999	2.1%	2,869	3.0%	(870)		-30.3%	
Other	9,179	9.8%	9,145	9.6%	34		0.4%	
	<u>\$ 94,087</u>	<u>100.0%</u>	<u>\$ 95,418</u>	<u>100.0%</u>	<u>\$ (1,331)</u>		<u>-1.4%</u>	

Consolidated revenue for the three months ended September 30, 2024 was \$30.3 million compared to \$30.9 million for the same period in 2023 and \$34.0 million for the three months ended June 30, 2024. Consolidated revenue for the nine months ended September 30, 2024 was \$94.1 million compared to \$95.4 million for the same period in 2023. Alfamation, which we acquired on March 12, 2024 as discussed under “Acquisition” in the Overview section above, contributed \$5.4 million of revenue in the third quarter of 2024, \$9.7 million of revenue in the second quarter of 2024 and \$16.5 million of revenue from the date of acquisition through September 30, 2024. This revenue is primarily from the auto/EV market, and, to a lesser extent, the life sciences market.

Compared with the same period in 2023, our consolidated revenue for the third quarter of 2024 decreased \$669,000. The \$5.4 million in revenue contributed by Alfamation in combination with a \$1.1 million increase in revenue from the industrial market and a \$1.3 million increase in revenue for other markets helped to offset a \$7.1 million decline in revenue from the semi market as that market remains in a period of reduced demand. Compared with the same period in 2023, our consolidated revenue for the nine months ended September 30, 2024 decreased \$1.3 million, reflecting an \$18.5 million decline from the semi market which was partially offset by the revenue contributed by Alfamation and, to a lesser extent, a \$2.8 million increase from the industrial market. As discussed in the Overview section above, the semi market is highly cyclical resulting in significant swings in demand when period to period comparisons are to different points in a given cycle. The current period of weakened demand began to impact us in the second half of 2023 resulting in significantly reduced revenue levels from our customers in this market. There are indications from certain of our back-end semi customers that demand seems to be stabilizing in that market. We have not yet seen any similar indications from our front-end semi customers.

Orders and Backlog

We use orders and backlog as key performance metrics to analyze and measure our financial performance and results of operations. We define orders as purchase orders that we have accepted from our customers. Orders are recorded based on the date received and accepted by us. We believe tracking orders is useful in planning for future production needs and staffing levels and we use information about the level of our orders to make decisions about resource allocation, including appropriate levels of inventory purchases and the balance of inventory we carry at any given time. Another important operational measure used is backlog. Backlog is a common measurement used in industries with extended lead times for order fulfillment, like those in which we operate. Backlog at any given date represents the amount of revenue that we expect to realize for unfilled orders received as of that date. We believe backlog is useful and use this information for similar reasons to those detailed above for orders. The majority of our backlog at any given time is expected to be fulfilled within the next twelve months. Depending on the terms of the purchase orders we have accepted, customers may have the ability to cancel an order or accelerate or postpone currently scheduled delivery dates. In some cases, we may have the ability to charge a cancellation fee if a purchase order we have accepted is later cancelled by a customer. Given that both orders and backlog are operational measures and our methodology for calculating orders and backlog do not meet the definition of a non-GAAP measure, as that term is defined by the Securities and Exchange Commission (the “SEC”), a quantitative reconciliation for each is not required or provided.

The following table sets forth, for the periods indicated, a breakdown of the orders received by market (in thousands).

	Three Months Ended								Change	
	9/30/2024		9/30/2023		Change		6/30/2024		Change	
					\$	%			\$	%
Orders										
Semi	\$ 7,648	27.2%	\$ 12,935	48.2%	\$ (5,287)	-40.9%	\$ 11,026	42.1%	\$ (3,378)	-30.6%
Industrial	2,237	8.0%	1,637	6.1%	600	36.7%	3,485	13.4%	(1,248)	-35.8%
Auto/EV	7,141	25.5%	3,051	11.3%	4,090	134.1%	4,721	18.0%	2,420	51.3%
Life Sciences	534	1.9%	931	3.5%	(397)	-42.6%	1,025	3.9%	(491)	-47.9%
Defense/Aero	4,470	15.9%	3,032	11.3%	1,438	47.4%	2,665	10.2%	1,805	67.7%
Security	1,062	3.8%	2,212	8.2%	(1,150)	-52.0%	81	0.3%	981	1211.1%
Other	4,962	17.7%	3,056	11.4%	1,906	62.4%	3,179	12.1%	1,783	56.1%
	<u>\$ 28,054</u>	<u>100.0%</u>	<u>\$ 26,854</u>	<u>100.0%</u>	<u>\$ 1,200</u>	<u>4.5%</u>	<u>\$ 26,182</u>	<u>100.0%</u>	<u>\$ 1,872</u>	<u>7.1%</u>

	Nine Months Ended							
	9/30/2024		9/30/2023		Change			
					\$	%		
Orders								
Semi	\$	28,927	37.6%	\$	46,002	51.6%	\$ (17,075)	-37.1%
Industrial		8,815	11.5%		11,535	12.9%	(2,720)	-23.6%
Auto/EV		15,903	20.6%		8,371	9.4%	7,532	90.0%
Life Sciences		2,257	2.9%		3,476	3.9%	(1,219)	-35.1%
Defense/Aero		9,819	12.7%		8,225	9.2%	1,594	19.4%
Security		1,183	1.5%		2,880	3.2%	(1,697)	-58.9%
Other		10,131	13.2%		8,620	9.8%	1,511	17.5%
	\$	77,035	100.0%	\$	89,109	100.0%	\$ (12,074)	-13.6%

Consolidated orders for the three months ended September 30, 2024 were \$28.1 million compared to \$26.9 million for the same period in 2023 and \$26.2 million for the three months ended June 30, 2024. Consolidated orders for the nine months ended September 30, 2024 were \$77.0 million compared to \$89.1 million for the same period in 2023. Alfamation contributed \$3.9 million of orders in the third quarter of 2024, \$3.2 million of orders in the second quarter of 2024 and \$8.8 million of orders from the date of acquisition through September 30, 2024.

During both the three and nine months ended September 2024 as compared to the same periods in 2023, the orders contributed by Alfamation helped to offset the aforementioned decline in demand from the semi market. During these same periods, we have also experienced increased demand from our customers in the defense/aerospace market and other markets we serve which also helped to offset the decline from the semi market.

At September 30, 2024, our backlog of unfilled orders for all products was approximately \$45.5 million compared with approximately \$40.5 million at September 30, 2023 and \$47.7 million at June 30, 2024. Our backlog at September 30, 2024 and June 30, 2024 included \$14.7 million and \$16.3 million, respectively, of backlog for Alfamation. Our backlog includes customer orders that we have accepted, substantially all of which we expect to deliver in the next twelve months. While backlog is calculated on the basis of firm purchase orders, a customer may cancel an order or accelerate or postpone currently scheduled delivery dates. Our backlog may be affected by the tendency of customers to rely on short lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog. As a result, our backlog at a particular date is not necessarily indicative of sales for any future period.

Israel-Hamas War, War in Ukraine and Global Supply Chain Constraints

In early October 2023, Hamas attacked Israel and Israel formally declared war in response to the attack. The conflict with Hamas and others in the region is ongoing, and it is unclear when it might end. Ambrell has a sole source supplier of capacitors used in certain of our induction heating products that is located in Israel. This supplier is the sole source supplier of capacitors for numerous induction companies, and currently there are no viable alternatives available. We have been in frequent contact with our supplier since the conflict with Hamas began. We maintain a two-to-three month safety stock on these items. Our supplier has indicated that they have large stock available at more than one facility in Israel, so they believe they have redundancies in place that will help ensure that the supply chain to their customers is uninterrupted. We continue to monitor the situation closely and are staying in close contact with our supplier. However, there can be no assurance that the situation will not worsen which could impact our ability to ship certain of our induction heating products which could have a material impact on our future results of operations.

The ongoing war between Russia and Ukraine continues to contribute to global inflationary pressures and the availability of certain raw materials produced in that region, further exacerbating global supply chain challenges that emerged after the onset of the COVID-19 pandemic. Acculogic purchases certain material from a key sole-source supplier in Belarus, which is bordered by Russia to the east and northeast and Ukraine to the south. At present, we are still receiving shipments from this supplier, and we estimate that we have a three-to-four-month supply of these parts that we are maintaining. We are currently in the process of qualifying an alternate supplier for these parts. We received prototype sample parts from the alternate supplier which we are now evaluating. We expect to complete this evaluation by the first quarter of 2025. We are also looking for additional alternate suppliers for these parts in North America.

In addition, while the supply chain and logistics challenges that we encountered throughout 2022 have eased, uncertainty in the global trade environment remains. As a result, we expect that we may continue to experience increased prices, lack of availability and logistics delays from time to time for the foreseeable future. The actions we have taken and are continuing to take to mitigate these risks include qualifying new vendors as alternate sources in our supply chain, increasing our inventory of raw materials and ordering further in advance of when we expect to need materials than has been our practice in the past. We have also increased the prices that we charge our customers, where appropriate, and continue to work with our customers to find alternate options for the shipment of products where they control aspects of the logistics process. However, the environment in which we operate is dynamic and shifts rapidly at times, and the success of our efforts to mitigate and address the impacts on our business may not be successful. As a result, we could see increases in our costs or reduced revenues which would impact the level of our earnings in future periods.

Please refer to Part I, Item 1A., “Risk Factors” of our 2023 Form 10-K for further discussion of the risks associated with our business operations, including risks associated with foreign operations.

Results of Operations

The results of operations for our three operating segments are generally affected by the same factors described in the Overview section above. Separate discussions and analyses for each segment would be repetitive. The discussion and analysis that follows, therefore, is presented on a consolidated basis and includes discussion of factors unique to a particular operating segment where significant to an understanding of that segment.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Revenue. Revenue was \$30.3 million for the three months ended September 30, 2024 as compared to \$30.9 million for the same period in 2023, a decrease of \$669,000 or 2%. Revenue for the third quarter of 2024 included \$5.4 million attributable to Alfamation which we acquired on March 12, 2024, as discussed under “Acquisition” in the Overview section above. The decline in revenue primarily reflects the aforementioned weak demand from semi market customers, as discussed under “Revenue” in the Overview section above, which was partially offset by the revenue from Alfamation as well as increased revenue from customers in the industrial market.

Gross Margin. Our consolidated gross margin was 46% of revenue for the three months ended September 30, 2024 as compared to 47% of revenue for the same period in 2023. The decrease in our gross margin primarily reflects higher fixed operating costs and increased direct labor as a result of the costs attributable to Alfamation. The fixed operating costs for the balance of our business were relatively unchanged. The increase in fixed operating costs and direct labor attributable to Alfamation was partially offset by lower average component material costs, reflecting changes in product mix.

Selling Expense. Selling expense was relatively unchanged at \$4.3 million in each of the three months ended September 30, 2024 and 2023. The increase in selling costs attributable to Alfamation was offset by lower commission expense and reduced spending in the balance of our business on third-party services, freight and advertising.

Engineering and Product Development Expense. Engineering and product development expense was \$2.2 million for the three months ended September 30, 2024 compared to \$1.8 million for the same period in 2023, an increase of \$380,000 or 21%. The increase primarily reflects the additional costs attributable to Alfamation. The costs for the balance of our business were relatively unchanged.

General and Administrative Expense. General and administrative expense was \$7.1 million for the three months ended September 30, 2024 compared to \$5.9 million for the same period in 2023 an increase of \$1.2 million, or 20%. Alfamation accounted for approximately \$1.7 million of our general and administrative expense during the third quarter of 2024, which included \$459,000 of amortization of acquired intangible assets. In addition, during the third quarter of 2023, we recorded a \$358,000 decrease in contingent consideration related to our acquisition of Acculogic which we completed in December 2021. There was no similar adjustment in the third quarter of 2024. The remainder of the change in general and administrative expense in the balance of our business primarily reflects a reduction in costs associated with corporate development activities in the third quarter of 2024 as compared to the same period in 2023.

Income Tax Expense. For the three months ended September 30, 2024, we recorded income tax expense of \$74,000 compared to income tax expense of \$446,000 for the same period in 2023. Our effective tax rate was 13% for the three months ended September 30, 2024 compared to 16% for the same period in 2023. On a quarterly basis, we record income tax expense or benefit based on the expected annualized effective tax rate for the various taxing jurisdictions in which we operate our businesses.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue. Revenue was \$94.1 million for the nine months ended September 30, 2024 compared to \$95.4 million for the same period in 2023, a decrease of \$1.3 million, or 1%. Alfamation contributed \$16.5 million of revenue from the date of acquisition through September 30, 2024. The decline in revenue primarily reflects the aforementioned weak demand from semi market customers, as discussed under “Revenue” in the Overview section, which was partially offset by the revenue from Alfamation as well as increased revenue from customers in the industrial market.

Gross Margin. Our consolidated gross margin was 44% of revenue for the nine months ended September 30, 2024 as compared to 47% of revenue for the same period in 2023. The decrease in our gross margin primarily reflects higher fixed operating costs and increased direct labor as a result of the costs attributable to Alfamation. The fixed operating costs for the balance of our business were relatively unchanged in total. Increases in salary and benefits expense were offset by reductions in facility related costs, plant and packing supplies and freight costs. The increase in fixed operating costs and direct labor attributable to Alfamation was partially offset by lower average component material costs, reflecting changes in product mix.

Selling Expense. Selling expense was \$13.0 million for the nine months ended September 30, 2024 compared to \$13.4 million for the same period in 2023, a decrease of \$435,000, or 3%. The decrease primarily reflects lower commissions on the lower revenue level and reduced costs for third-party services. This decrease was partially offset by increased travel costs and costs attributable to Alfamation.

Engineering and Product Development Expense. Engineering and product development expense was \$6.4 million for the nine months ended September 30, 2024 compared to \$5.7 million for the same period in 2023, an increase of \$693,000 or 12%. The increase primarily reflects the additional costs attributable to Alfamation. The costs for the balance of our business were relatively unchanged in total. Increases in salary and benefits expense and the use of third-party resources was offset by declines in spending on materials used in product development and lower legal fees related to our intellectual property.

General and Administrative Expense. General and administrative expense was \$20.2 million for the nine months ended September 30, 2024 compared to \$16.1 million for the same period in 2023, an increase of \$4.1 million or 26%. Alfamation accounted for approximately \$3.8 million of our general and administrative expense during the first nine months of 2024, which included \$962,000 of amortization of acquired intangible assets. In addition, during the first nine months of 2023, we recorded a \$358,000 decrease in contingent consideration related to our acquisition of Acculogic which we completed in December 2021. This compares to recording a \$50,000 reduction in contingent consideration during comparable period in 2024. In the balance of our business, increased fees for professionals that assist us with various compliance related matters and higher salaries and benefits expense were partially offset by reduced accruals for profit-based bonuses and reduced costs related to our stock-based compensation awards as the probable achievement estimates for certain performance-based awards were adjusted down during the first nine months of 2024.

Income Tax Expense. For the nine months ended September 30, 2024, we recorded income tax expense of \$265,000 compared to income tax expense of \$1.6 million for the same period in 2023. Our effective tax rate was 16% for the nine months ended September 30, 2024 compared to 17% for the same period in 2023. On a quarterly basis, we record income tax expense or benefit based on the expected annualized effective tax rate for the various taxing jurisdictions in which we operate our businesses.

Liquidity and Capital Resources

As discussed more fully in the Overview section above, our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. The cyclical and volatile nature of demand for ATE makes estimates of future revenues, results of operations and net cash flows difficult.

Our primary historical source of liquidity and capital resources has been cash flow generated by our operations. In 2021, we also utilized our Credit Facility, which is discussed below, to fund our acquisitions. We manage our businesses to maximize operating cash flows as our primary source of liquidity for our short-term cash requirements, as discussed below. We use cash to fund growth in our operating assets, for new product research and development, for acquisitions and for stock repurchases. We currently anticipate that any additional long-term cash requirements related to our strategy would be funded through a combination of our cash and cash equivalents, our Credit Facility or by issuing equity.

Proceeds from Sale of Common Stock

On May 11, 2023, we entered into an At-the-Market Issuance Sales Agreement (the "Sales Agreement") pursuant to which we issued and sold 921,797 shares of our common stock having an aggregate offering price of \$20.0 million between May 11, 2023 and May 31, 2023. We received net proceeds from the sale of these shares of \$19.2 million after payment of commissions of 3.0% of the gross proceeds and other fees related to the sale of these shares.

Credit Facility

As discussed in Note 10 to our consolidated financial statements in this Report, on October 15, 2021, we entered into the Loan Agreement with M&T. The Loan Agreement includes a \$25 million non-revolving delayed draw term note (the “Term Note”) and a \$10 million revolving credit facility (the “Revolving Facility and together with the Term Note, the “Credit Facility”). The Credit Facility had a five-year contract period that began on the Closing Date and expired on October 15, 2026, and draws under the Term Note were permissible for two years.

On September 20, 2022, we further amended the Loan Agreement by entering into a Third Amendment to Amended and Restated Loan and Security Agreement (the Loan Agreement as amended by the Third Amendment, the “Third Amended Loan Agreement”) and the Third Amended and Restated Delayed Draw Term Note 1A. Under the Third Amended Loan Agreement, the maximum loan amount that we may borrow under the Term Note increased from \$25 million to \$50.5 million, which raises the available funding at September, 2024 to \$30 million. On May 2, 2024 we further amended our Third Amended Loan Agreement by entering into a Fourth Amendment to the Amended and Restated Loan and Security Agreement (the “Amended Loan Agreement”). Under the Amended Loan Agreement, the period during which we may request advances under the Term Note is extended until May 2, 2026, and the Term Note and revolving credit facility maturity date is extended from September 19, 2027 to May 2, 2031. At September 30, 2024, we had not borrowed any amounts under the \$10 million Revolving Facility. Our borrowings under the Term Note are discussed below and occurred prior to entering into the Amended Loan Agreement. The principal balance of the Revolving Facility and the principal balance of any amount drawn under the Term Note accrues interest based on the Secured Overnight Financing Rate or a bank-defined base rate plus an applicable margin, depending on leverage. The Amended Loan Agreement includes customary affirmative, negative and financial covenants, including a maximum ratio of consolidated funded debt to consolidated EBITDA of not more than 3.0 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0. Our obligations under the Amended Loan Agreement are secured by liens on substantially all of our tangible and intangible assets. At September 30, 2024, we were in compliance with all of the covenants included in the Credit Facility including the debt covenants of the Amended Loan Agreement.

On October 28, 2021, we drew \$12 million under the Term Note to finance the acquisition of Videology. We also entered into an interest rate swap agreement with M&T as of this date which is designed to protect us against fluctuations in interest rates during the five-year repayment and amortization period. As a result, the annual interest rate we expect to pay for this draw under the Term Note is fixed at approximately 3.2% based on current leverage.

On December 29, 2021, we drew \$8.5 million under the Term Note to finance the acquisition of Acculogic. We did not enter into an interest rate swap agreement with M&T related to this draw. The annual interest rate we expect to pay for this draw under the Term Note is variable. At September 30, 2024, it was approximately 7.0% based on current leverage.

Alfamation Debt

In connection with the acquisition of Alfamation, as discussed further in Note 3, we assumed debt which totaled \$11.3 million as of the acquisition date. The debt acquired is comprised of both fixed and variable rate bank issued term loans as well as short-term variable rate financing backed by Alfamation’s accounts receivable. This debt is spread across a number of different institutions with monthly, quarterly or half-yearly repayment schedules.

At September 30, 2024, Alfamation’s debt was valued at \$7.1 million, including \$1.9 million that is backed by Alfamation’s accounts receivable. The reduction since the acquisition date represents repayments of short-term instruments and principal payments on long-term debt, net of new borrowings that are backed by Alfamation’s accounts receivable, The average interest rate being paid at September 30, 2024 was 1.2% for fixed rate debt and 4.7% for variable rate debt. The average rate for total debt at September 30, 2024 was 3.9%.

Total interest expense for the nine months ended September 30, 2024 and 2023 related to our various debt arrangements was \$612,000 and \$526,000, respectively.

Liquidity

Our cash and cash equivalents and working capital were as follows (in thousands):

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 17,972	\$ 45,260
Working capital	\$ 45,263	\$ 61,479

As of September 30, 2024, \$8.2 million, or 46%, of our cash and cash equivalents was held by our foreign subsidiaries. We currently expect our cash and cash equivalents, in combination with the borrowing capacity available under our Revolving Facility and the anticipated net cash to be provided by our operations in the next twelve months to be sufficient to support our short-term working capital requirements and other corporate requirements. Our Revolving Facility is discussed in Note 10 to our consolidated financial statements in this Report.

Our material short-term cash requirements include payments due under our various lease agreements, recurring payroll and benefits obligations to our employees, purchase commitments for materials that we use in the products we sell and principal and interest payments on our debt. We anticipate making investments in our business in the next twelve months including hiring of additional staff, updates to our systems and investments related to our geographic and market expansion efforts. We estimate that our minimum short-term working capital requirements currently range between \$8.0 million and \$10.0 million. We expect our current cash and cash equivalents, in combination with the borrowing capacity available under our Revolving Facility and the anticipated net cash to be provided by our operations to be sufficient to support these additional investments as well as our current short-term cash requirements.

Our current strategy for growth includes pursuing acquisition opportunities for complementary businesses, technologies or products. As previously discussed, we currently anticipate that any additional long-term cash requirements related to our strategy would be funded through a combination of our cash and cash equivalents, the remaining availability under the Term Note or by issuing equity. The borrowing availability under the Term Note was expanded and extended in September 2022 and May 2024 as discussed above and in Note 10 to our consolidated financial statements in this Report.

Cash Flows

Operating Activities. For the nine months ended September 30, 2024, we recorded net earnings of \$1.4 million and net cash provided by operations was \$1.2 million. During this same period, we had non-cash charges of \$4.5 million for depreciation and amortization which included \$1.0 million of amortization related to our ROU assets and our operating lease liabilities declined \$1.2 million. During the nine months ended September 30, 2024, we recorded \$1.5 million for amortization of deferred compensation expense related to stock-based awards. Excluding the impact of the acquired assets, during the first nine months of 2024, accounts receivable increased \$3.7 million and accounts payable decreased \$1.0 million while inventories were relatively unchanged. During this same period, domestic and foreign income taxes payable declined \$817,000, prepaid expenses and other current assets decreased \$569,000, and accrued wages and benefits declined \$533,000. All of these fluctuations represent normal variations due to varying timing of payments, receipt of cash from customers and normal accruals that are standard in our business operations.

Investing Activities. During the nine months ended September 30, 2024, we paid \$18.7 million in net cash for the acquisition of Alfamation which is discussed in more detail in Note 3 to our consolidated financial statements in this Report. Purchases of property and equipment were \$1.2 million during this period, representing capital expenditures in the normal course of business. We have no significant commitments for capital expenditures for the balance of 2024; however, depending upon changes in market demand or manufacturing and sales strategies, we may make such purchases or investments as we deem necessary and appropriate. These additional cash requirements would be funded by our cash and cash equivalents, anticipated net cash to be provided by operations and our revolving credit facility.

Financing Activities. During the nine months ended September 30, 2024, we repaid \$5.5 million of long-term debt, \$1.9 million of short-term debt and we used \$1.0 million to repurchase stock. There were no other significant amounts used by or received from financing activities during the quarter.

New or Recently Adopted Accounting Standards

See the Notes to our consolidated financial statements in this Report for information concerning the implementation and impact of new or recently adopted accounting standards.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, long-lived assets, goodwill, identifiable intangibles, contingent consideration liabilities and deferred income tax valuation allowances. We base our estimates on historical experience and on appropriate and customary assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Some of these accounting estimates and assumptions are particularly sensitive because of their significance to our consolidated financial statements and because of the possibility that future events affecting them may differ markedly from what had been assumed when the financial statements were prepared. As of September 30, 2024, there have been no significant changes to the accounting estimates that we have deemed critical. Our critical accounting estimates are more fully described in our 2023 Form 10-K.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the three months ended September 30, 2024 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This disclosure is not required for a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act of 1934, as amended, (the “Exchange Act”). Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, our management has designed the disclosure controls and procedures to provide reasonable assurance that the objectives of the control system were met.

CEO/CFO Conclusions about the Effectiveness of the Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, inTEST management, including our CEO and CFO, conducted an evaluation as of the end of the period covered by this Report, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures were not effective at the reasonable assurance level.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2024 because of the material weakness in our internal control over financial reporting described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected in a timely basis. The identified material weakness contributed to the restatements of our financial statements for the three and nine months ended September 30, 2023.

Management has determined that we had a material weakness in our internal control over financial reporting because we did not appropriately design and implement controls over the identification and the application of appropriate U.S. GAAP for transactions related to the procurement and sale of discontinued material/components purchased on behalf of customers where the associated materials/components were still physically located with us and the materials/components are expected to be applied to future product orders for these customers.

This previously identified material weakness contributed to material misstatements in our consolidated financial statements for the three and nine months ended September 30, 2023, which have been corrected and restated in our Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2023. Accordingly, management has concluded that this control deficiency constitutes a material weakness.

In addition, in the course of implementing the remediation plan described below, we identified a material weakness in our internal control over financial reporting during the period ending June 30, 2024 associated with our recently acquired Alfamation subsidiary. This related to revenue recognition for Alfamation shipments at or near period-end with shipment terms where title does not transfer until delivery at our customers’ sites.

Remediation Efforts

As previously reported, over the course of the first half of the year, management began developing a remediation plan to address the previously identified material weakness discussed above. During the quarter ended September 30, 2024, we began implementing remediation steps as part of our plan to improve our internal control over financial reporting and to remediate the previously identified material weakness by adopting more rigorous period-end review processes for financial reporting and implementing additional transaction level controls. In addition, we have taken steps that we believe remediate the cause of the newly identified material weakness associated with our recently acquired Alfamation subsidiary as of September 30, 2024, and management is strengthening the internal accounting functions, where appropriate.

Management has expanded and will continue to enhance our system of identifying transactions and evaluating and implementing the accounting standards that apply to our financial statements, including through enhanced analyses by our personnel and third-party professionals with whom we consult regarding complex accounting applications. We intend to continue to take steps to remediate the material weaknesses described above and further continue re-assessing the design of controls, the testing of controls and modifying processes designed to improve our internal control over financial reporting.

We will not be able to fully remediate the material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. The implementation of our remediation will be ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

As described above, we are in the process of implementing changes to our internal control over financial reporting to remediate the material weaknesses described herein. Other than these changes, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be a party to legal proceedings occurring in the ordinary course of business. We are not currently involved in any material legal proceedings.

Item 1A. Risk Factors

Information regarding the primary risks and uncertainties that could materially and adversely affect our future performance or could cause actual results to differ materially from those expressed or implied in our forward-looking statements, appears in Part I, Item 1A - "Risk Factors" of our 2023 Form 10-K filed with the SEC on March 27, 2024. There have been no material changes from the risk factors set forth in our 2023 Form 10-K.

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act, of our common stock during the three months ended September 30, 2024, including those made pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
July 1-31	-	\$ -	-	-
August 1-31	141,117(1)	\$ 7.36	141,117	\$ 8,961,150
September 1-30	-	\$ -	-	-
Total	141,117	\$ 7.36	141,117	

- (1) On November 17, 2023, our Board of Directors authorized the repurchase of our common stock through open market purchases commencing November 17, 2023 and continuing through November 17, 2024, provided that the per share repurchase price shall not exceed \$9.00 and the aggregate repurchases shall not exceed \$10.0 million. Under the share repurchase authorization, shares of the Company's common stock may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased depend on a variety of factors, including legal requirements, price, and economic and market conditions. The repurchase program may be suspended or discontinued at any time until it expires on November 17, 2024.

As of September 30, 2024, we had repurchased 141,117 shares under the share repurchase authorization at a fair value of \$1,038,850. All of the repurchased shares were retired.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the third quarter ended September 30, 2024, none of the Company's directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K of the Securities Exchange Act of 1934.

Item 6. Exhibits

10.1	Form of Stock Option Award Agreement (*)
10.2	Form of Performance Stock Award Agreement for Employees (*)
10.3	Form of Restricted Stock Award Agreement for Employees (*)
10.4	Form of Restricted Stock Award Agreement for Directors (*)
10.5	Form of Restricted Stock Unit Award Agreement for Employees (*)
10.6	Form of Performance Stock Unit Award Agreement for Employees (*)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Taxonomy Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(*) Indicates a management contract or compensatory plan, contract or arrangement in which directors or executive officers participate.

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.

inTEST Corporation

Date: November 6, 2024

/s/ Richard N. Grant, Jr.
Richard N. Grant, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2024

/s/ Duncan Gilmour
Duncan Gilmour
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)

inTEST CORPORATION

STOCK OPTION AWARD AGREEMENT

This Stock Option Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	[]
Grant Date:	[]
Number of Option Shares:	[]
Exercise Price Per Option Share:	[]
Expiration Date:	[10-Year Anniversary of the Grant Date]
Tax Type:	[Nonqualified Stock Option] [Incentive Stock Option]

The purpose of this Agreement is to establish a written agreement evidencing the Award of Stock Options (the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Grant of Options.

(a) Grant. Subject to the Participant's execution and delivery of this Agreement, the Company hereby grants to the Participant on the "Grant Date" set forth above, a Stock Option (the "Option") to purchase up to the "Number of Option Shares" set forth above, at a price per Option Share equal to the "Exercise Price Per Option Share" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Each Option represents the right to purchase one share of Common Stock on the terms and conditions set forth in this Agreement and the Plan.

(b) Tax Type. If the Tax Type of Option designated above is "Incentive Stock Option," then the Option is intended to be an Incentive Stock Option within the meaning of Section 422 of the Code; provided, however, to the extent that the Option does not qualify as an Incentive Stock Option, the Option shall be treated as a Nonqualified Stock Option. If the Tax Type of Option designated above is "Nonqualified Stock Option," then the Option is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Code, regardless of whether it would so qualify.

2. Vesting.

(a) Continued Employment Requirement. Except as otherwise provided by Section 2(c), and subject to compliance with Section 2(b), the Option will vest and become "Vested Options" according to the following schedule:

In the event that the Participant becomes entitled to a fractional Option Share, such fractional Option Share shall not vest unless and until the Participant becomes entitled to such number of fractional Option Shares as shall be equal in sum to a whole Option Share.

(b) Conditions to Vesting. As a condition to the vesting of Options, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been in the continuous employ of the Company or its Affiliates, or continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's employment or engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Effect of Death, Disability or Change in Control. The Option will immediately vest in full and become Vested Options in the event of: (i) the Participant's death; (ii) the Participant's Disability; or (iii) the occurrence of a Change in Control if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, (B) the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or (C) the Participant terminates their employment for Good Reason following the Change in Control; *provided, however,* that the Participant satisfies the requirements of Section 2(b). For purposes of this Agreement, "Cause" shall mean: (1) a breach by the Participant of their employment agreement with the Company, (2) a breach by the Participant of their duty of loyalty to the Company, including without limitation any act of dishonesty, embezzlement or fraud with respect to the Company, (3) the commission by the Participant of a felony, a crime involving moral turpitude or other act causing material harm to the Company's standing and reputation, (4) the Participant's continued failure to perform their duties to the Company or (5) unauthorized disclosure by the Participant of trade secrets or other confidential information belonging to the Company; and "Good Reason" shall mean a material reduction by the Company in the Participant's pay or benefits, relocation of their position by the Company of greater than 50 miles, or any material demotion of the Participant's position as determined by the Committee.

3. Exercise.

(a) Right to Exercise. Except as otherwise provided herein, prior to the termination of the Option (as provided in Section 4), the Option shall be exercisable for a number of shares of Common Stock not to exceed the number of Vested Options less the number of shares of Common Stock for which the Option was previously exercised. In no event shall the Option be exercisable for more shares of Common Stock than the Number of Option Shares, as adjusted pursuant to Section 11 of the Plan.

(b) Effect of Death, Disability, Termination and Change in Control.

(i) *Death or Disability.* In the event of the termination of the Participant's employment due to the Participant's death or Disability, the Option may be exercised by the Participant (or the Participant's guardian or legal representative) to the extent unexercised and vested no later than one year following the date of the Participant's employment, but no later than the Expiration Date.

(ii) *Other Termination.* In the event of the termination of the Participant's employment for reasons other than Cause or the Participant's death or Disability, the Option may be exercised by the Participant to the extent unexercised and vested no later than three months following the date of the Participant's termination, but no later than the Expiration Date.

(iii) *Change in Control.* If the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or the Participant terminates their employment for Good Reason following a Change in Control, the Option may be exercised by the Participant to the extent unexercised and vested no later than one year following the date of the Participant's employment, but no later than the Expiration Date.

(c) Method of Exercise. The Option, to the extent vested and exercisable, may be exercised in whole or in part, provided that the Option may not be exercised for less than one share of Common Stock in any single transaction. The Option shall be exercised by written notice given by the Participant to the Company on the form provided by the Company for such purpose specifying the number of shares of Common Stock that the Participant elects to purchase and the exercise price being paid for the number of shares of Common Stock that the Participant elects to purchase, accompanied by full payment of such exercise price.

(d) Payment of Exercise Price. Payment of the exercise price for the number of shares of Common Stock for which the Option is being exercised may be made in such form as the Committee may determine in its discretion, including, but not limited to:

(i) in cash (including a check payable to the order of the Company);

(ii) if permitted by the Committee, by instructing the Company to withhold a number of shares of Common Stock that would otherwise be issued having a Fair Market Value equal to the applicable portion of the exercise price being so paid;

(iii) if permitted by the Committee, by tendering (actually or by attestation) to the Company a number of previously acquired shares of Common Stock that have been held by the Participant for at least six months (or such shorter period, if any, determined by the Committee in consideration of applicable accounting standards) and that have a Fair Market Value equal to the applicable portion of the exercise price being so paid;

(iv) if permitted by the Committee, by authorizing a third party to sell, on behalf of the Participant, the appropriate number of shares of Common Stock otherwise issuable to the Participant upon the exercise of the Stock Option and to remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise; or

(v) any combination of the foregoing.

(e) Restrictions on Issuance of Shares of Common Stock. If at any time the Company determines that listing, registration or qualification of the shares of Common Stock covered by the Option upon any securities exchange or under any state or federal law, or the approval of any governmental agency, is necessary or advisable as a condition to the exercise of the Option, the Option may not be exercised in whole or in part unless and until such listing, registration, qualification or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

(f) Issuance of Shares of Common Stock. Upon determining that compliance with the Plan and this Agreement has occurred, including compliance with Sections 3(d), 3(e) and 10, the Company shall issue certificates for the shares of Common Stock purchased; if the Participant has elected to pay the exercise price (or tax withholding required pursuant to Section 10) using shares of Stock to be received from his or her exercise of the Option, the Company shall issue certificates for the shares of Common Stock purchased, less the number of shares of Common Stock used in payment of the exercise price (and minimum tax withholding, if applicable). Under no circumstances will fractional shares of Common Stock be issued; if the Participant elects to pay the exercise price using shares of Common Stock already owned by him or her, or shares of Common Stock to be received from his or her exercise of the Option and such payment involves a fraction of a share, the remaining fraction of such share of Common Stock shall be redeemed by the Company and the Company shall pay the Participant the Fair Market Value of such fractional share of Common Stock in lieu of issuing such fractional share.

4. Termination of the Option. The Option shall terminate and may no longer be exercised after the earliest of (a) the termination of the Participant's employment with the Company and its Affiliates for Cause; (b) the close of business on the last date for exercising the Option following termination of the Participant's employment other than for Cause as described in Section 3(b), and (c) the close of business on the Expiration Date.

5. Notice of Disposition of Common Shares. If the Tax Type of Option designated above is "Incentive Stock Option," then the Participant shall promptly notify the Company of the disposition of any shares of Common Stock acquired upon exercise of the Option, including a disposition by sale, exchange, gift or transfer of legal title, if such disposition occurs within two years from the Grant Date or within one year from the date of exercise of the Option.

6. **Transferability.** The Options and the Participant's rights and interest in the Options may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Options or any right or interest in the Options, contrary to the provisions of the Plan or this Agreement, or upon the sale or levy or attachment or similar process upon the rights in the Options, the Options shall immediately terminate and become null and void.

7. **No Right to Employment.** Neither the Award pursuant to this Agreement nor any provision of this Agreement shall be construed (a) to give the Participant any right to continued employment with the Company or any of its Affiliates or (b) as an amendment to their employment agreement, if any, with the Company or its Affiliates.

8. **Forfeiture.** Except as provided by Section 2(c), the Options granted under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant's employment by, or engagement to provide services to, the Company and all of its Affiliates terminates.

9. **Voting, Dividend and Tender Offer Rights.** Until the shares of Common Stock from the exercise of the Options have been issued to the Participant, the Participant shall have no rights of a stockholder of the Company with respect to the shares of Common Stock underlying the Options, and in particular shall not be entitled to vote the underlying shares of Common Stock or to receive any dividends paid or made with respect to the shares of Common Stock underlying the Options.

10. **Withholding of Applicable Taxes.** It shall be a condition to the Company's obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes. A Participant may satisfy any federal, state or local tax withholding obligation in such form as the Committee may determine in its discretion, including, but not limited to:

(a) in cash (including a check payable to the order of the Company);

(b) if permitted by the Committee, by instructing the Company to withhold a number of shares of Common Stock that would otherwise be issued having a Fair Market Value equal to the applicable portion of the tax withholding obligation being so paid;

(c) if permitted by the Committee, by tendering (actually or by attestation) to the Company a number of previously acquired shares of Common Stock that have been held by the Participant for at least six months (or such shorter period, if any, determined by the Committee in consideration of applicable accounting standards) and that have a Fair Market Value equal to the applicable portion of the tax withholding obligation being so paid; or

(d) any combination of the foregoing

11. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, “Section 409A”), under the stock rights exemption described in Section 1.409A-1(b)(5) of the US Treasury Regulations, and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

12. **Clawback.** Notwithstanding any other provision of this Agreement to the contrary, any portion of the Award paid hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company’s Policy for the Recovery of Erroneously Awarded Compensation, as well as any other recoupment or similar policy, if any, that the Company may adopt from time to time (collectively, the “Policies”). The Participant agrees and consents to the Company’s application, implementation and enforcement of (a) the Policies that may apply to the Participant; and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and expressly agrees that the Company may take such actions as are necessary to effectuate the Policies or applicable law without further consent or action being required by the Participant. To the extent that the terms of this Agreement and any Policy conflict, then the terms of the Policy shall prevail.

13. **Amendment.** This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

14. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Options on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Stock Option Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Stock Option Award Agreement]

inTEST CORPORATION

PERFORMANCE STOCK AWARD AGREEMENT

This Performance Stock Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	<input type="text"/>
Grant Date:	<input type="text"/>
Maximum Number of PSAs:	<input type="text"/>
Performance Period:	<input type="text"/>
Normal Vesting Date:	<input type="text"/>

The purpose of this Agreement is to establish a written agreement evidencing the Award of performance-vesting Restricted Stock ("Performance Stock" or the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Issuance of Shares. Subject to the Participant's execution and delivery of this Agreement and one or more instruments of transfer relating to all shares issuable pursuant to this Agreement (the "Shares"), the Participant will be issued the "Maximum Number of PSAs" set forth above, as of "Grant Date" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Such Shares shall be registered in the Participant's name, but the Company shall retain custody of any certificates issued for such Shares pending the vesting or forfeiture thereof. Upon the vesting of any such Shares, the Company shall deliver to the Participant the certificates for such Shares.

2. Vesting.

(a) Continued Employment Requirement. Except as otherwise provided by Section 2(d), and subject to compliance with Section 2(b) the vesting of the PSAs is subject to the Participant's continued employment with the Company and its Affiliates through the "Normal Vesting Date" set forth above.

(b) Conditions to Vesting. As a condition to the vesting of Shares, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been in the continuous employ of the Company or its Affiliates, or continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's employment or engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Performance Vesting Requirement(s). In addition to the vesting requirements set forth in Section 2(a) and 2(b), the number Shares that vest will be based on the achievement of the Performance Goal(s) set forth on Schedule A hereto for the "Performance Period" set forth above. The number of Shares that vest shall be equal to the Maximum Number of PSAs multiplied by the "Aggregate Performance Payout Factor" determined pursuant to Schedule A hereto, based on the achievement of the Performance Goal(s) for the Performance Period, rounded up to the nearest number of whole Shares.

(d) Effect of Death, Disability or Change in Control. In the event of (i) the Participant's death before the Normal Vesting Date; (ii) the Participant's Disability before the Normal Vesting Date; or (iii) the occurrence of a Change in Control before the Normal Vesting Date, if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, (B) the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or (C) the Participant terminates their employment for Good Reason following the Change in Control, the Award will immediately vest, the Aggregate Performance Payout Factor shall be based on most recent estimated level of performance used for financial accounting purposes and the number of Shares that vest shall be the Maximum Number of PSAs multiplied by the Aggregate Performance Payout Factor; rounded up to the nearest number of whole Shares; *provided, however*, that the Participant satisfies the requirements of Section 2(b). For purposes of this Agreement, "Cause" shall mean: (1) a breach by the Participant of their employment agreement with the Company, (2) a breach by the Participant of their duty of loyalty to the Company, including without limitation any act of dishonesty, embezzlement or fraud with respect to the Company, (3) the commission by the Participant of a felony, a crime involving moral turpitude or other act causing material harm to the Company's standing and reputation, (4) the Participant's continued failure to perform their duties to the Company or (5) unauthorized disclosure by the Participant of trade secrets or other confidential information belonging to the Company; and "Good Reason" shall mean a material reduction by the Company in the Participant's pay or benefits, relocation of their position by the Company of greater than 50 miles, or any material demotion of the Participant's position as determined by the Committee.

3. Transferability. The Shares of Common Stock issued to the Participant under this Agreement shall not be transferable by the Participant prior to the date such Shares become vested under the terms of this Agreement and the Plan.

4. **Restrictive Legend.** Certificates for the Shares with respect to which the vesting requirements have not been met shall be inscribed with the following legend:

“The shares of stock evidenced by this certificate are subject to the terms and restrictions of a Performance Stock Award Agreement. They are subject to forfeiture under the terms of that Agreement if they are transferred, sold, pledged, given, hypothecated, or otherwise disposed of, other than through death or disability. A copy of that Agreement is available from the Secretary of inTEST Corporation upon request.”

5. **Removal of Restrictive Legend.** When the vesting requirements on any Shares have been met, the Company shall cause a replacement stock certificate for those Shares, without the legend referred to in Section 4, to be issued and delivered to the Participant, as soon as practicable.

6. **No Right to Employment.** Neither the Award of Shares pursuant to this Agreement nor any provision of this Agreement shall be construed (a) to give the Participant any right to continued employment with the Company or any of its Affiliates or (b) as an amendment to their employment agreement, if any, with the Company or its Affiliates.

7. **Forfeiture.** Except as provided by Section 2(d), Shares of Common Stock issued under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant’s employment by, or engagement to provide services to, the Company and all of its Affiliates terminates. Following such a forfeiture, the Participant shall have no rights whatsoever with respect to the Shares of Common Stock forfeited.

8. **Voting, Dividend and Tender Offer Rights.** The Participant shall have voting and tender offer rights with respect to Shares of Common Stock issued to the Participant under this Agreement whether or not such Shares are vested or unvested. No cash dividends, however, shall be paid on unvested Shares of Common Stock.

9. **Withholding of Applicable Taxes.** It shall be a condition to the Company’s obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

10. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, “Section 409A”), and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

11. Clawback. Notwithstanding any other provision of this Agreement to the contrary, any portion of the Award paid hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Policy for the Recovery of Erroneously Awarded Compensation, as well as any other recoupment or similar policy, if any, that the Company may adopt from time to time (collectively, the "**Policies**"). The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the Policies that may apply to the Participant; and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and expressly agrees that the Company may take such actions as are necessary to effectuate the Policies or applicable law without further consent or action being required by the Participant. To the extent that the terms of this Agreement and any Policy conflict, then the terms of the Policy shall prevail.

12. Amendment. This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

13. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Performance Stock on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Performance Stock Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Performance Stock Award Agreement]

SCHEDULE A

PERFORMANCE GOAL(S)

[Performance Goal 1] Component

Weight: ___%

	Threshold	Target	Maximum
[Performance Goal 1]			
Payout Factor*	___%	___%	100%

* If [Performance Goal 1] is less than Threshold, the Payout Factor under the [Performance Goal 1] Component will be 0%, and if [Performance Goal 1] is greater than Maximum, the Payout Factor under the [Performance Goal 1] Component will be the Maximum %. If [Performance Goal 1] is greater than Threshold and less than Target, or greater than Target and less than Maximum, the Payout Factor under the [Performance Goal 1] Component will be determined based on linear interpolation.

Definitions

[Include necessary definitions for the performance goal]

[Performance Goal 2] Component

Weight: ___%

	Threshold	Target	Maximum
[Performance Goal 2]			
Payout Factor*	___%	___%	100%

* If [Performance Goal 2] is less than Threshold, the Payout Factor under the [Performance Goal 2] Component will be 0%, and if [Performance Goal 2] is greater than Maximum, the Payout Factor under the [Performance Goal 2] Component will be the Maximum %. If [Performance Goal 2] is greater than Threshold and less than Target, or greater than Target and less than Maximum, the Payout Factor under the [Performance Goal 2] Component will be determined based on linear interpolation.

Definitions

[Include necessary definitions for the performance goal]

Aggregate Performance Payout Factor

Except as otherwise provided by Section 2(d) of the Agreement, the Aggregate Performance Payout Factor is equal to the sum of (a) the Payout Factor under the [Performance Goal 1] Component multiplied by the Weight of the [Performance Goal 1] Component, and (b) the Payout Factor under the [Performance Goal 2] Component multiplied by the Weight of the [Performance Goal 2] Component.

inTEST CORPORATION

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	<input type="text"/>
Grant Date:	<input type="text"/>
Number of RSAs:	<input type="text"/>

The purpose of this Agreement is to establish a written agreement evidencing the Award of Restricted Stock (the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Issuance of Shares. Subject to the Participant's execution and delivery of this Agreement and one or more instruments of transfer relating to all shares issuable pursuant to this Agreement (the "Shares"), the Participant will be issued the "Number of RSAs" set forth above, as of "Grant Date" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Such Shares shall be registered in the Participant's name, but the Company shall retain custody of any certificates issued for such Shares pending the vesting or forfeiture thereof. Upon the vesting of any such Shares, the Company shall deliver to the Participant the certificates for such Shares.

2. Vesting.

(a) Continued Employment Requirement. Except as otherwise provided by Section 2(c), and subject to compliance with Section 2(b), the Number of RSAs will vest according to the following schedule:

In the event that the Participant becomes entitled to a fractional Share, such fractional Share shall not vest unless and until the Participant becomes entitled to such number of fractional Shares as shall be equal in sum to a whole Share.

(b) Conditions to Vesting. As a condition to the vesting of Shares, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been in the continuous employ of the Company or its Affiliates, or continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's employment or engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Effect of Death, Disability or Change in Control. The Shares of Common Stock issued under this Agreement shall become immediately and fully vested in the event of: (i) the Participant's death; (ii) the Participant's Disability; or (iii) the occurrence of a Change in Control if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, (B) the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or (C) the Participant terminates their employment for Good Reason following the Change in Control; *provided, however,* that the Participant satisfies the requirements of Section 2(b). For purposes of this Agreement, "Cause" shall mean: (1) a breach by the Participant of their employment agreement with the Company, (2) a breach by the Participant of their duty of loyalty to the Company, including without limitation any act of dishonesty, embezzlement or fraud with respect to the Company, (3) the commission by the Participant of a felony, a crime involving moral turpitude or other act causing material harm to the Company's standing and reputation, (4) the Participant's continued failure to perform their duties to the Company or (5) unauthorized disclosure by the Participant of trade secrets or other confidential information belonging to the Company; and "Good Reason" shall mean a material reduction by the Company in the Participant's pay or benefits, relocation of their position by the Company of greater than 50 miles, or any material demotion of the Participant's position as determined by the Committee.

3. Transferability. The Shares of Common Stock issued to the Participant under this Agreement shall not be transferable by the Participant prior to the date such Shares become vested under the terms of this Agreement and the Plan.

4. Restrictive Legend. Certificates for the Shares with respect to which the vesting requirements have not been met shall be inscribed with the following legend:

"The shares of stock evidenced by this certificate are subject to the terms and restrictions of a Restricted Stock Award Agreement. They are subject to forfeiture under the terms of that Agreement if they are transferred, sold, pledged, given, hypothecated, or otherwise disposed of, other than through death or disability. A copy of that Agreement is available from the Secretary of inTEST Corporation upon request."

5. Removal of Restrictive Legend. When the vesting requirements on any Shares have been met, the Company shall cause a replacement stock certificate for those Shares, without the legend referred to in Section 5, to be issued and delivered to the Participant, as soon as practicable.

6. **No Right to Employment.** Neither the Award of Shares pursuant to this Agreement nor any provision of this Agreement shall be construed (a) to give the Participant any right to continued employment with the Company or any of its Affiliates or (b) as an amendment to their employment agreement, if any, with the Company or its Affiliates.

7. **Forfeiture.** Except as provided by Section 2(c), Shares of Common Stock issued under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant's employment by, or engagement to provide services to, the Company and all of its Affiliates terminates. Following such a forfeiture, the Participant shall have no rights whatsoever with respect to the Shares of Common Stock forfeited.

8. **Voting, Dividend and Tender Offer Rights.** The Participant shall have voting and tender offer rights with respect to Shares of Common Stock issued to the Participant under this Agreement whether or not such Shares are vested or unvested. No cash dividends, however, shall be paid on unvested Shares of Common Stock.

9. **Withholding of Applicable Taxes.** It shall be a condition to the Company's obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

10. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, "Section 409A"), and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

11. **Clawback.** Notwithstanding any other provision of this Agreement to the contrary, any portion of the Award paid hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Policy for the Recovery of Erroneously Awarded Compensation, as well as any other recoupment or similar policy, if any, that the Company may adopt from time to time (collectively, the "Policies"). The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the Policies that may apply to the Participant; and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and expressly agrees that the Company may take such actions as are necessary to effectuate the Policies or applicable law without further consent or action being required by the Participant. To the extent that the terms of this Agreement and any Policy conflict, then the terms of the Policy shall prevail.

12. **Amendment.** This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

13. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Restricted Stock on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Restricted Stock Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Restricted Stock Award Agreement]

inTEST CORPORATION

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	<input type="text"/>
Grant Date:	<input type="text"/>
Number of RSAs:	<input type="text"/>

The purpose of this Agreement is to establish a written agreement evidencing the Award of Restricted Stock (the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Issuance of Shares. Subject to the Participant's execution and delivery of this Agreement and one or more instruments of transfer relating to all shares issuable pursuant to this Agreement (the "Shares"), the Participant will be issued the "Number of RSAs" set forth above, as of "Grant Date" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Such Shares shall be registered in the Participant's name, but the Company shall retain custody of any certificates issued for such Shares pending the vesting or forfeiture thereof. Upon the vesting of any such Shares, the Company shall deliver to the Participant the certificates for such Shares.

2. Vesting.

(a) Continued Service Requirement. Except as otherwise provided by Section 2(c), and subject to compliance with Section 2(b), the Number of RSAs will vest _____, subject to the Participant's continued service to the Company and its Affiliates through such date.

(b) Conditions to Vesting. As a condition to the vesting of Shares, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Effect of Death, Disability or Change in Control. The Shares of Common Stock issued under this Agreement shall become immediately and fully vested in the event of: (i) the Participant's death; (ii) the Participant's Disability; or (iii) the occurrence of a Change in Control if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, or (B) the Participant's service to the Company and its Affiliates is terminated by the Company within two years following the Change in Control; *provided, however*, that the Participant satisfies the requirements of Section 2(b).

3. Transferability. The Shares of Common Stock issued to the Participant under this Agreement shall not be transferable by the Participant prior to the date such Shares become vested under the terms of this Agreement and the Plan.

4. Restrictive Legend. Certificates for the Shares with respect to which the vesting requirements have not been met shall be inscribed with the following legend:

“The shares of stock evidenced by this certificate are subject to the terms and restrictions of a Restricted Stock Award Agreement. They are subject to forfeiture under the terms of that Agreement if they are transferred, sold, pledged, given, hypothecated, or otherwise disposed of, other than through death or disability. A copy of that Agreement is available from the Secretary of inTEST Corporation upon request.”

5. Removal of Restrictive Legend. When the vesting requirements on any Shares have been met, the Company shall cause a replacement stock certificate for those Shares, without the legend referred to in Section 4, to be issued and delivered to the Participant, as soon as practicable.

6. No Right to Continued Board Service. Neither the Award of Shares pursuant to this Agreement nor any provision of this Agreement shall be construed to give the Participant any right to continued service as a member of the Board.

7. Forfeiture. Except as provided by Section 2(c), Shares of Common Stock issued under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant's engagement to provide services to the Company and all of its Affiliates terminates. Following such a forfeiture, the Participant shall have no rights whatsoever with respect to the Shares of Common Stock forfeited.

8. Voting, Dividend and Tender Offer Rights. The Participant shall have voting and tender offer rights with respect to Shares of Common Stock issued to the Participant under this Agreement whether or not such Shares are vested or unvested. No cash dividends, however, shall be paid on unvested Shares of Common Stock.

9. Withholding of Applicable Taxes. It shall be a condition to the Company's obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

10. Section 409A. The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, “Section 409A”), and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

11. Amendment. This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

12. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Restricted Stock on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Restricted Stock Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Restricted Stock Award Agreement]

inTEST CORPORATION

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	<input type="text"/>
Grant Date:	<input type="text"/>
Number of RSUs:	<input type="text"/>

The purpose of this Agreement is to establish a written agreement evidencing the Award of Restricted Stock Units (the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Grant of Restricted Stock Units. Subject to the Participant's execution and delivery of this Agreement, the Company hereby grants to the Participant on the "Grant Date" set forth above, an Award of Restricted Stock Units (the "RSUs") for the "Number of RSUs" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Each RSU represents the right to receive one share of Common Stock on the terms and conditions set forth in this Agreement and the Plan.

2. Dividend Equivalents. No dividend equivalents shall be payable on the RSUs.

3. Vesting.

(a) Continued Employment Requirement. Except as otherwise provided by Section 3(c), and subject to compliance with Section 3(b), the Number of RSUs will vest and become "Vested RSUs" according to the following schedule:

In the event that the Participant becomes entitled to a fractional RSU, such fractional RSU shall not vest unless and until the Participant becomes entitled to such number of fractional RSUs as shall be equal in sum to a whole RSU.



(b) Conditions to Vesting. As a condition to the vesting of RSUs, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been in the continuous employ of the Company or its Affiliates, or continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's employment or engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Effect of Death, Disability or Change in Control. The Award will immediately vest in full in the event of: (i) the Participant's death; (ii) the Participant's Disability; or (iii) the occurrence of a Change in Control if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, (B) the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or (C) the Participant terminates their employment for Good Reason following the Change in Control; *provided, however*, that the Participant satisfies the requirements of Section 3(b). For purposes of this Agreement, "Cause" shall mean: (1) a breach by the Participant of their employment agreement with the Company, (2) a breach by the Participant of their duty of loyalty to the Company, including without limitation any act of dishonesty, embezzlement or fraud with respect to the Company, (3) the commission by the Participant of a felony, a crime involving moral turpitude or other act causing material harm to the Company's standing and reputation, (4) the Participant's continued failure to perform their duties to the Company or (5) unauthorized disclosure by the Participant of trade secrets or other confidential information belonging to the Company; and "Good Reason" shall mean a material reduction by the Company in the Participant's pay or benefits, relocation of their position by the Company of greater than 50 miles, or any material demotion of the Participant's position as determined by the Committee.

4. Transferability. The RSUs and the Participant's rights and interest in the RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the RSUs or any right or interest in the RSUs, contrary to the provisions of the Plan or this Award Agreement, or upon the sale or levy or attachment or similar process upon the rights in the RSUs, the RSUs shall immediately terminate and become null and void.

5. Settlement. Upon vesting, each Vested RSU will convert at that time into the right to receive one Share of Common Stock, which, less the number of Shares of Common Stock (if any) withheld to satisfy tax withholding pursuant to Section 9, will be issued to the Participant within 75 days following the first to occur of (a) the applicable vesting date, (b) the date of the Participant's death or Disability, (c) the occurrence of a Change in Control if the acquiror involved in such Change in Control does not assume or substitute the Award, (d) the Participant's termination of employment by the Company without Cause within two years following the Change in Control, or (e) the existence of grounds for the Participant to resign for Good Reason.

6. No Right to Employment. Neither the Award pursuant to this Agreement nor any provision of this Agreement shall be construed (a) to give the Participant any right to continued employment with the Company or any of its Affiliates or (b) as an amendment to their employment agreement, if any, with the Company or its Affiliates.

7. **Forfeiture.** Except as provided by Section 3(c), the RSUs granted under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant's employment by, or engagement to provide services to, the Company and all of its Affiliates terminates.

8. **Voting, Dividend and Tender Offer Rights.** Until the shares of Common Stock from the settlement of the RSUs have been issued to the Participant, the Participant shall have no rights of a stockholder of the Company with respect to the shares of Common Stock underlying the RSUs, and in particular shall not be entitled to vote the underlying shares of Common Stock or to receive any dividends paid or made with respect to the shares of Common Stock underlying the RSUs.

9. **Withholding of Applicable Taxes.** It shall be a condition to the Company's obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

10. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, "Section 409A"), under the short-term deferral exemption described in Section 1.409A-1(b)(4) of the US Treasury Regulations, and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

11. **Clawback.** Notwithstanding any other provision of this Agreement to the contrary, any portion of the Award paid hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Policy for the Recovery of Erroneously Awarded Compensation, as well as any other recoupment or similar policy, if any, that the Company may adopt from time to time (collectively, the "Policies"). The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the Policies that may apply to the Participant; and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and expressly agrees that the Company may take such actions as are necessary to effectuate the Policies or applicable law without further consent or action being required by the Participant. To the extent that the terms of this Agreement and any Policy conflict, then the terms of the Policy shall prevail.

12. **Amendment.** This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

13. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Restricted Stock Units on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Restricted Stock Unit Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Restricted Stock Unit Award Agreement]

inTEST CORPORATION

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This Performance Stock Unit Award Agreement (this "Agreement") is made effective as of the Grant Date specified below, by and between inTEST Corporation, a Delaware corporation (the "Company"), and the Participant specified below.

Participant:	<input type="text"/>
Grant Date:	<input type="text"/>
Target Number of PSUs:	<input type="text"/>
Performance Period:	<input type="text"/>
Normal Vesting Date:	<input type="text"/>

The purpose of this Agreement is to establish a written agreement evidencing the Award of performance-vesting Restricted Stock Units ("Performance Stock Units" or the "Award") granted pursuant to the inTEST Corporation 2023 Stock Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are fully incorporated herein by reference. Unless the context clearly indicates otherwise, capitalized terms used but not defined herein will have the meaning given to such terms in the Plan. The grant of the Award is made in consideration of the services to be rendered by the Participant to the Company.

1. Grant of Performance Stock Units. Subject to the Participant's execution and delivery of this Agreement, the Company hereby grants to the Participant on the "Grant Date" set forth above, an Award of Performance Stock Units (the "PSUs") for the "Target Number of PSUs" set forth above, subject to the terms, conditions and restrictions of this Agreement and the Plan. Each PSU represents the right to receive one share of Common Stock on the terms and conditions set forth in this Agreement and the Plan.

2. Dividend Equivalents. No dividend equivalents shall be payable on the PSUs.

3. Vesting.

(a) Continued Employment Requirement. Except as otherwise provided by Section 3(d), and subject to compliance with Section 3(b) the vesting of the PSUs is subject to the Participant's continued employment with the Company and its Affiliates through the "Normal Vesting Date" set forth above.

(b) Conditions to Vesting. As a condition to the vesting of PSUs, all of the following conditions must be fully satisfied on the applicable vesting date:

(i) the Participant must have been in the continuous employ of the Company or its Affiliates, or continuously engaged to provide services to the Company or its Affiliates, through and including the date of vesting, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company or its Affiliates to terminate the Participant's employment or engagement with the Company or its Affiliates; and

(ii) the Participant must not be in breach or default of any obligation to the Company or its Affiliates, whether or not contained in any agreement with the Company or its Affiliates, or imposed by law.

(c) Performance Vesting Requirement(s). In addition to the vesting requirements set forth in Section 3(a) and 3(b), the number of PSUs that vest (the "Vested PSUs") will be based on the achievement of the Performance Goal(s) set forth on Schedule A hereto for the "Performance Period" set forth above. The number of Vested PSUs shall be equal to the Target Number of PSUs multiplied by the "Aggregate Performance Payout Factor" determined pursuant to Schedule A hereto, based on the achievement of the Performance Goal(s) for the Performance Period, rounded up to the nearest number of whole PSUs.

(d) Effect of Death, Disability or Change in Control. In the event of (i) the Participant's death before the Normal Vesting Date; (ii) the Participant's Disability before the Normal Vesting Date; or (iii) the occurrence of a Change in Control before the Normal Vesting Date, if (A) the acquiror involved in such Change in Control does not assume or substitute the Award, (B) the Participant's employment is terminated by the Company without Cause within two years following the Change in Control, or (C) the Participant terminates their employment for Good Reason following the Change in Control, the Award will immediately vest, the Aggregate Performance Payout Factor shall be based on most recent estimated level of performance used for financial accounting purposes and the number of Vested PSUs shall be the Target Number of PSUs multiplied by the Aggregate Performance Payout Factor; *provided, however*, that the Participant satisfies the requirements of Section 3(b). For purposes of this Agreement, "Cause" shall mean: (1) a breach by the Participant of their employment agreement with the Company, (2) a breach by the Participant of their duty of loyalty to the Company, including without limitation any act of dishonesty, embezzlement or fraud with respect to the Company, (3) the commission by the Participant of a felony, a crime involving moral turpitude or other act causing material harm to the Company's standing and reputation, (4) the Participant's continued failure to perform their duties to the Company or (5) unauthorized disclosure by the Participant of trade secrets or other confidential information belonging to the Company; and "Good Reason" shall mean a material reduction by the Company in the Participant's pay or benefits, relocation of their position by the Company of greater than 50 miles, or any material demotion of the Participant's position as determined by the Committee.

4. Transferability. The PSUs and the Participant's rights and interest in the PSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the PSUs or any right or interest in the PSUs, contrary to the provisions of the Plan or this Agreement, or upon the sale or levy or attachment or similar process upon the rights in the PSUs, the PSUs shall immediately terminate and become null and void.

5. **Settlement.** Upon vesting, each Vested PSU will convert at that time into the right to receive one Share of Common Stock, which, less the number of Shares of Common Stock (if any) withheld to satisfy tax withholding pursuant to Section 9, will be issued to the Participant within 75 days following the first to occur of (a) the Normal Vesting Date, (b) the date of the Participant's death or Disability, (c) the occurrence of a Change in Control if the acquiror involved in such Change in Control does not assume or substitute the Award, (d) the Participant's termination of employment by the Company without Cause within two years following the Change in Control, or (e) the existence of grounds for the Participant to resign for Good Reason.

6. **No Right to Employment.** Neither the Award pursuant to this Agreement nor any provision of this Agreement shall be construed (a) to give the Participant any right to continued employment with the Company or any of its Affiliates or (b) as an amendment to their employment agreement, if any, with the Company or its Affiliates.

7. **Forfeiture.** Except as provided by Section 3(d), the PSUs granted under this Agreement not previously vested hereunder shall be forfeited as of the date the Participant's employment by, or engagement to provide services to, the Company and all of its Affiliates terminates.

8. **Voting, Dividend and Tender Offer Rights.** Until the shares of Common Stock from the settlement of the PSUs have been issued to the Participant, the Participant shall have no rights of a stockholder of the Company with respect to the shares of Common Stock underlying the PSUs, and in particular shall not be entitled to vote the underlying shares of Common Stock or to receive any dividends paid or made with respect to the shares of Common Stock underlying the PSUs.

9. **Withholding of Applicable Taxes.** It shall be a condition to the Company's obligation to deliver Common Stock to the Participant pursuant to this Agreement that the Participant pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

10. **Section 409A.** The Award is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance issued thereunder (collectively, "Section 409A"), under the short-term deferral exemption described in Section 1.409A-1(b)(4) of the US Treasury Regulations, and this Agreement shall be interpreted and administered consistent with such intention. Notwithstanding the foregoing, the Company makes no representations that the Award is exempt from or complies with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

11. Clawback. Notwithstanding any other provision of this Agreement to the contrary, any portion of the Award paid hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Policy for the Recovery of Erroneously Awarded Compensation, as well as any other recoupment or similar policy, if any, that the Company may adopt from time to time (collectively, the "**Policies**"). The Participant agrees and consents to the Company's application, implementation and enforcement of (a) the Policies that may apply to the Participant; and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and expressly agrees that the Company may take such actions as are necessary to effectuate the Policies or applicable law without further consent or action being required by the Participant. To the extent that the terms of this Agreement and any Policy conflict, then the terms of the Policy shall prevail.

12. Amendment. This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and the Participant.

13. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware.

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

[Signature Page Follows]

The undersigned hereby acknowledges this Award of Performance Stock Units on behalf of the Company.

inTEST CORPORATION

By: _____
Richard N. Grant, Jr.
President and Chief Executive Officer

Date: _____

Participant:

To indicate your acceptance and agreement to this Performance Stock Unit Award Agreement, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

(Participant's signature)

Date: _____

[Signature Page to Performance Stock Unit Award Agreement]

SCHEDULE A

PERFORMANCE GOAL(S)

[Performance Goal 1] Component

Weight: ___%

	Threshold	Target	Maximum
[Performance Goal 1]			
Payout Factor*	___%	100%	___%

* If [Performance Goal 1] is less than Threshold, the Payout Factor under the [Performance Goal 1] Component will be 0%, and if [Performance Goal 1] is greater than Maximum, the Payout Factor under the [Performance Goal 1] Component will be the Maximum %. If [Performance Goal 1] is greater than Threshold and less than Target, or greater than Target and less than Maximum, the Payout Factor under the [Performance Goal 1] Component will be determined based on linear interpolation.

Definitions

[Include necessary definitions for the performance goal]

[Performance Goal 2] Component

Weight: ___%

	Threshold	Target	Maximum
[Performance Goal 2]			
Payout Factor*	___%	100%	___%

* If [Performance Goal 2] is less than Threshold, the Payout Factor under the [Performance Goal 2] Component will be 0%, and if [Performance Goal 2] is greater than Maximum, the Payout Factor under the [Performance Goal 2] Component will be the Maximum %. If [Performance Goal 2] is greater than Threshold and less than Target, or greater than Target and less than Maximum, the Payout Factor under the [Performance Goal 2] Component will be determined based on linear interpolation.

Definitions

[Include necessary definitions for the performance goal]

Aggregate Performance Payout Factor

Except as otherwise provided by Section 3(d) of the Agreement, the “Aggregate Performance Payout Factor” is equal to the sum of (a) the Payout Factor under the [Performance Goal 1] Component multiplied by the Weight of the [Performance Goal 1] Component, and (b) the Payout Factor under the [Performance Goal 2] Component multiplied by the Weight of the [Performance Goal 2] Component.

CERTIFICATION

I, Richard N. Grant, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;
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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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: November 6, 2024

/s/ Richard N. Grant, Jr.
Richard N. Grant, Jr.
President and Chief Executive Officer

CERTIFICATION

I, Duncan Gilmour, certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;
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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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: November 6, 2024

/s/Duncan Gilmour
Duncan Gilmour
Chief Financial Officer, Treasurer and Secretary

inTEST CORPORATION

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 inTEST Corporation (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Grant, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 6, 2024

/s/ Richard N. Grant, Jr.
Richard N. Grant, Jr.
President and Chief Executive Officer

inTEST CORPORATION

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 inTEST Corporation (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Duncan Gilmour, Chief Financial Officer, Treasurer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 6, 2024

/s/ Duncan Gilmour
Duncan Gilmour
Chief Financial Officer, Treasurer and Secretary